

NCERT Solutions for Class 12 Business Studies

Chapter 8 – Controlling

Very Short Answer Type:

1.

State the meaning of controlling.

Ans: Controlling was the procedure through which the position was assessed. It ultimately comes down to establishing specific criteria for the task, followed by contrasting them with what needs to be completed. It guarantees that each step taken by the company is carried out according to the schedule.

2.

Name the principle that a manager should consider while dealing with deviations effectively. State any one situation in which an organisation's control system loses its effectiveness.

Ans: The leadership by exclusion concept ought to be used to address anomalies. An organization's control system loses effectiveness when standards are not met quantitatively. For example, various staff members will have varying levels of satisfaction with their duties.

3.

State any one situation in which an organisation's control system loses its effectiveness.

Ans: A control system usually loses its effectiveness every time the standard is not defined in quantitative terms, which makes it further difficult to measure deviations between the actual and the standard performance. For instance, job satisfaction cannot be described in quantitative terms because it is different for different employees.

4.

Give any two standards that can be used by a company to evaluate the performance of its Finance & Accounting department.

Ans: Standards that are used by a company for the evaluation of the performance in the Finance and Accounting department are liquidity & flow of capital.

5.

Which term is used to indicate the difference between standard performance and actual performance?

Ans: The word "deviation" refers to the discrepancy between what actually happens and the norm of efficiency.

Short Answer Type:

1.

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

Ans: Planning is the process of creating a structure before the work so that the work goes smoothly. It helps define the objectives and goals that need to be achieved by an individual or organization. Therefore, planning is basically about predicting the future and working accordingly. Controlling is assessing the past performance and then comparing it with the set standards. Due to these available features, it can also be said to be a backward-looking future. However, most of the above claims are partially correct because planning is done using lessons learned from the past, and then improvements are made. Similar to this, regulation tries to enhance potential outcomes even when it considers prior performance. Consequently, it may be claimed that monitoring and organizing are both forward-looking and backward-looking processes.

2.

'An effort to control everything may end up in controlling nothing.' Explain.

Ans: The concept of leadership by exclusion is taken into consideration in this declaration. The law states that it is impossible to effectively regulate all things. According to this approach, rather than attempting to control every variation, a few particular limits must be established, and managers must only be notified of variations that exceed the specified ranges in order to implement restrictions.

3.

Write a Short note on budgetary control as a technique of managerial control.

Ans: Budgetary control is a model of arranging media plans in the form of financial planning. It is a financial statement that informs us of the actions required and the policies that must be followed for the specified time. Performance is compared with the already established budget.

Having these contrasting points makes it easier to spot discrepancies and implement remedial actions. The budgets of various agencies may differ. Employees are motivated by their financial resources and are encouraged to accomplish their goals. Effective strategies for budgeting allow assets to be allocated fairly & used effectively.

4.

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

Ans: A management audit is the procedure by which the appraisal of the management occurs in an organization. It's been employed to enhance the overall functioning of the management in carrying out its goals promptly. It calculates the functions of the managers and focuses on areas where deficiencies are seen. The significance of leadership auditing as a form of control will be clarified in the subsequent section:

1. It assists in taking corrective measures that are mandatory for improvement by identifying deficiencies in the work.
2. The overall efficiency of the organization is improved by performing a management audit, which can then monitor the management of the organization.
3. An eventual growth can be observed between the employees and the department, as work is monitored with the motto of effectiveness.
4. Helps organizations to adapt to environmental changes, which can be ensured by having strategies and policies updated perpetually.

4.

Mr.Arfaaz had been heading the production department of Writewell Products Ltd., a firm manufacturing stationary items. The firm secured an export order that had to be completed on a priority basis and production targets were defined for all the employees. One of the workers, Mr.Bhanu Prasad, fell short of his daily production target by 10 units for two days consecutively. Mr.Arfaaz approached MsVasundhara, the CEO of the Company, to file a complaint against MrBhanu Prasad and requested her to terminate his services. Explain the principle of management control that MsVasundhara should consider while taking her decision. (Hint: Management by exception).

Ans: The leadership by exclusion concept ought to be applied in the aforementioned circumstance. According to the above theory, trying to regulate everything will ultimately result in nothing being controlled. The sole variations that require acknowledgment & action to rectify are those that exceed the threshold. Therefore, Mr. Bhanu should not be expelled for such silly opinions.

Long Answer Type:

1.

Explain the various steps involved in the process of control.

Ans: Controlling is a systematic approach to managing the activities in an organization, and this includes the following steps:

1. Setting standards: This step includes setting standards for the company and developing benchmarks based on which actual performance can be judged. Standards can be either qualitative or quantitative, based on the company's requirements.
2. Measure actual performance: After setting these standards, the next step is to identify the actual performance that is taking place by observing the activities. The information from performance assessments and monitoring may be utilized to ascertain this.
3. Comparing performances: This step involves comparing the actual performance with the standard performance. It aids in identifying the distractions and then guiding the manager in assessing the performance and undergoing mandatory steps.
4. Analyzing deviation: While comparing actual performance with set standards, there will be deviations. Therefore, it's important to understand these deviations. Some of the most popular techniques are administration by exceptions and crucial area regulation.

5. Corrective measures: When deviations cross the admissible limits, the management needs to take certain actions to rectify them. This step is about correcting the errors so that they don't happen again. It is the last step taken in the process of controlling.

2.

Explain the techniques of managerial control.

Ans: There are two distinct kinds of control over managers' approaches. It includes,

1. Traditional Technique

2. Modern Technique

Traditional techniques are techniques that were followed by managers in the golden days. The following are the techniques followed:

1. Personal observation: As per this technique, managers oversee the work conducted by employees. The right information reaching the manager keeps workers motivated to perform well. Even after all this, the truth is that it is a time-consuming process.
2. Statistical reports: Managers can get the performance data, which is stored in the average percentages or ratios in the system, and then it can be easily represented in charts and graphs. Thus, a comparison of performance with standards is suggested.
3. Break-even analysis: Break-even analysis is used to determine the overall profit or loss factors. It occurs when all expenditures and the overall profit are equivalent. Using this technique, managers can determine profit or loss and devise ways to generate profit for the company/organization.
4. Budgetary control: It is a technique where future business operations are determined in the form of budgets. It sets standards before judging the actual performance.

Modern techniques have been introduced more recently, which provide ideas for having better control. Mentioned below are the modern methods:

1. Return on investment: It is referred to as the gains or the same kind of benefits earned on the investment amount made. It gives a good idea of the returns a company earns on the investment made.
2. Ratio analysis: Evaluating various ratios for analyzing the financial statement. This ratio includes the liquidity ratio and the solvency ratio, which further help to determine the stability of a business.
3. Responsibility accounting: Various responsibility centers are introduced, and each center head is responsible for the outcome of the center. The responsibility center includes the cost center,

revenue center, investment center, and profit center.

4. Management audit: The management procedures are being audited. It checks the capability of the management and points out the deficiencies present in the system. It needs continuous monitoring.

5. PERT and CPM: These are modern management techniques that help determine the scheduling and resource allocation, enabling project execution most effectively. Those approaches are employed in naval architecture, ongoing construction, and other fields.

6. MIS: Management Information System is the process through which effective decision-making is controlled. It is cost-effective and helps in the collection and dispersal of information across all levels.

3.

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

Ans: The significance of authority in a company goes as follows:

1. Through carefully allocating funds and fixing problems with processes, management contributes to accomplishing the corporate goals.
2. It assists in assessing how accurate the management-established criteria are. Updating the norms in light of evolving company needs is another benefit.
3. It helps employees to stay motivated and makes them management-friendly.
4. Maintain proactive decision-making in the company for prompt ethics & discipline.
5. It enhances peer-to-peer interaction among active employees across various sectors by improving the company's overall productivity.

Although regulating works well for leadership, companies nevertheless confront several issues, some of which are listed here:

1. Since subjective words reduce the effectiveness of regulation, a series of criteria cannot be established for quantitative as well as qualitative factors.
2. A company's control systems change as a consequence of shifting economic conditions.
3. Controlling will be a problem when it's against the comfort level of employees.
4. Managing is expensive since facilities must be established.

4.

Discuss the relationship between planning and controlling.

Ans: Any company's most intertwined tasks are 2 things: regulating and scheduling. Planning entails laying out the strategy beforehand. It facilitates establishing specific objectives and targets that a person or institution hopes to accomplish.

Planning is frequently seen as a proactive endeavor, as it centers on seeing future events and projecting results. On the contrary, controlling involves assessing prior accomplishments concerning predetermined criteria or standards.

This is why it is often viewed as a backward-looking function. However, this distinction is not entirely accurate. The process of development serves as the foundation that guides the regulating phase's assessment of performance. Without proper objectives and standards, control would have no meaning.

Likewise, if planning is done but there is no control mechanism, the entire process may result in inefficiency and a lack of direction. In this way, planning and controlling support and strengthen each other. It's crucial to realize that neither activity is exclusively restricted to past events or the future.

To arrive at more informed choices in the years to come, planning frequently incorporates knowledge from past experiences. Similarly, controlling is primarily related to enhancing outcomes irrespective of its previous results. Hence, it's possible for planning and controlling, as two of them fall under forward-looking & backward-looking processes. Together, they play a crucial role in making sure a company remains focused on its objectives & keeps getting better as time goes by.

5.

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.

a. Identify the benefits the company will derive from a good control system.

b. 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.

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

Ans:

a. A strong governance structure will assist the firm in numerous ways:

i. The company shall be able to advance toward the goal properly by identifying systemic shortcomings and taking appropriate remedial action.

ii. It is possible to assess how accurate the standards that have been established are. The list of criteria might be adjusted as necessary.

iii. Resources will be used mindfully, so there will be less wastage of resources and more efficiency.

iv. The staff members will know their roles and responsibilities from the top-level management, which encourages them to attain the work goals in their respective firms.

b. Two management tasks that go in tandem include organizing and monitoring. While regulating entails keeping an eye on developments and making sure that actions are in line with the predetermined goals, planning concentrates on establishing targets and figuring out how to reach them. It also entails spotting any discrepancies and fixing them as needed.

Effective planning may be focused on important areas like raising revenue, establishing affordable pricing tactics, and improving client happiness in the modern corporate climate. Yet, it grows increasingly challenging to quantify effectiveness in the absence of well-defined criteria, rendering the control procedure useless. Simply put, control is only possible when there is

something to measure performance against, making planning an essential foundation for successful control.

c. The business must implement the actions listed here:

1. It is necessary to establish criteria that will operate as a reference point for evaluating achievement versus reality. Both qualitative and quantitative norms are possible.
2. Upon establishing the requirements, actual compliance must be examined. Observing employees and gathering evaluations are two ways to do this.
3. Finding any discrepancies between the outcomes and what the business wants constitutes the subsequent phase, after which the appropriate remedial action could be taken.
4. Hazardous spot management and oversight via exception techniques must be used to address and evaluate anomalies that exceed the permissible range of values.
5. The final component of management is the remedial measures, which aim to address the business's shortcomings.

6.

Mr Shantanu is a chief manager of a reputed company that manufactures garments. He called the production manager and instructed him to keep a constant and continuous check on all the activities related to his department so that everything goes as per the set plan. He also suggested him to keep a track of the performance of all the employees in the organisation so that targets are achieved effectively and efficiently.

a. Describe any two features of Controlling highlighted in the above situation.(Goal Oriented, continuous and pervasive – any 2).

b. Explain any four points of importance of Controlling.

Ans:

a. The following are the features of controlling:

1. It represents a goal-based strategy, with the primary objective being to closely monitor productivity and continuously strive towards achieving the company's objectives.
2. Supervisors at every tier, division, or sector can employ the ubiquitous role of managing.

b. The following are the points of controlling:

1. By optimizing the utilization of resources and addressing weaknesses in the procedure, regulation contributes to accomplishing your company's objectives.
2. It facilitates evaluating the precision of the management-established criteria. When the company demands shifts, it additionally helps in evaluating the norms.
3. It motivates the employee and makes them more useful towards the goal.
4. Maintain proactive decision-making in the company for prompt ethics & discipline.
5. It enhances peer-to-peer interaction among active employees across various sectors by improving the company's overall productivity.