

# 8

## Controlling

### Fastrack Revision

- ▶ **Meaning of Controlling:** Controlling is the process of monitoring organisational performance, finding out deviations or gaps between the actual performance and the set standards and taking corrective action in order to achieve organisational goals (as per set standards).

"Managerial control implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans."  
—*Koontz and O' Donnell*

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Controlling is not the last function of management. It is a function that brings back the management cycle back to the planning function.

#### ▶ Features of Controlling

- ▶ **Goal-oriented:** It is a goal-oriented function. It aims to ensure that resources are used properly (effectively and efficiently) to achieve predetermined goals.
- ▶ **Pervasive Function:** It is a pervasive function as it is used in the organisations of varying types and sizes at all levels.
- ▶ **Forward Looking:** It is considered to be a forward looking function as it helps to improve the future performance on the basis of experience gained on past efforts.
- ▶ **Backward Looking:** It is considered to be a backward looking function as it measures and compares the actual performance with standards set in the past and find out reasons for deviations.
- ▶ **Last Function:** It should not be considered the last function of management as it brings the management cycle back to the planning function.
- ▶ **Continuous Process:** It is a continuous process or function. It involves continuous review of performance.

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With effective controlling, the deficiencies in the system can be identified and accordingly corrective action can be taken.

#### ▶ Importance of Controlling

- ▶ **Accomplishing Organisational Goals:** It helps in achievement of organisational goals through proper monitoring of performance and implementation of corrective action.

- ▶ **Ensuring Order and Discipline:** It helps in maintaining order and discipline in the organisation as it keeps strict supervision on various activities in the organisation.
- ▶ **Judging Accuracy of Standards:** It helps in judging the accuracy of standards set as in case the standards are too strict, they can be revised. Some goals are too tough to be achieved as the external business environment may not support the organisation. In such a situation, it is wise to revise the set standards.
- ▶ **Efficient Use of Resources:** It helps in efficient utilisation of resources as continuous monitoring and action, all the unnecessary wastages can be prevented.
- ▶ **Improving Employees Motivation:** It helps in motivating employees as employees know in advance the standards against which their performance will be appraised.
- ▶ **Coordination in Action:** It facilitates coordination in action as every employee and department performs according to set standards.

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Through controlling, every attempt is made to keep the activities on right track.

- ▶ **Relationship between Planning and Controlling:** Planning and controlling are closely inter-related functions of management. While planning decides the objectives to be achieved and the course of action to be followed. On the other hand, controlling refers to the process of managing and evaluating the work done according to the standards and taking corrective measures, if there are any deficiencies. There is close and reciprocal relationship between planning and controlling because:
  - ▶ Planning based on facts makes controlling easier and effective; and
  - ▶ Controlling improves future planning by providing information derived from past experience.

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Planning and controlling are both backward looking as well as forward looking.

#### ▶ Controlling Process

- ▶ **Setting Performance Standards:** The first step in the controlling process is setting up of performance standards. Standards should be set in precise quantitative terms. These are set at the stage of



planning. They should be flexible in nature so that they can be altered as per need. Standards can be set-up both in quantitative and qualitative terms.

- **Measuring Actual Performance:** This is the next step. Performance should be measured in an objective and reliable manner. These includes personal observation and sample checking are the methods applied. For different departments, different parameters are to be used. It is generally believed that measurement should be done after the task is completed. For instance, in case of assembling task, each part produced should be checked before assembling.
- **Comparing Actual Performance with the Set Standards:** This step involves comparison of actual performance with the standard. Such comparison will reveal the deviation between actual and desired results. At this stage, deviations come into picture. Deviation is the gap between set standards and actual performance.
- **Analysing Deviations:** In this step, manager use the following terms for analysing deviations:
  - **Critical Point Control:** It may not be either economical nor easy to monitor each and every activity in the organisation. Therefore, every organisation identifies and states its specific Key Result Areas (KRAs) or critical points which require tight control and are likely to have a significant effect on working of business. For example, if in an organisation, the expenditure on stationery goes up by 10%, it can be ignored, but if the production cost goes up by 5%, it may call for managerial action.

- **Management by Exception/Control by Exception:** It states that if management tries to control everything it will end up controlling nothing. So, the management should keep track of significant deviations going beyond limits.

For example, if the increase in labour goes beyond, say a permissible limit of 5%, the management should take all possible actions to bring down the increase in labour cost.

- **Taking Corrective Action:** When the deviations go beyond the acceptable range, especially in key result areas, immediate managerial attention is required so that the deviations do not occur again.

No corrective action is required when the deviations are within the acceptable range. If deviation cannot be corrected through managerial action, the standards may have to be revised.

For example, if project is running behind the schedule, corrective action might involve assigning of additional workers and equipment to the project.

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Deviation refers to the difference between actual and desired performance. It can be:

- **Positive Deviation:** When actual performance is better than the desired performance.
- **Negative Deviation:** When actual performance is less than the desired performance.



## Practice Exercise



### Multiple Choice Questions

- Q 1. Name the function of management which helps in the formulation of future plans in the light of the problems that were identified and thus helps in better planning in the future period. (CBSE SQP 2020)
- a. Planning                      b. Organising  
c. Directing                      d. Controlling
- Q 2. Identify an important principle of management control in which only significant deviations which go beyond permissible limit should be brought to the notice of management. (CBSE SQP 2020)
- a. Management by control  
b. Control by exception  
c. Both a. and b.  
d. Critical point control
- Q 3. Raman and Vasudev were two employees who were embezzling an import-export company in Varanasi where they were working. The finance manager of the company Sampat Singh became suspicious of the two employees when he realised that their

activities were not being performed as per the plans. He installed a software programme that could secretly log every single stroke of the suspects' computer keys and send an encrypted email report to the Cyber police. The police were able to catch the two dishonest employees red handed and arrest them. Identify the function of management being discussed above. (CBSE SQP 2022-23)

- a. Staffing                      b. Coordination  
c. Controlling                      d. Organising
- Q 4. IND Dyechem Ltd. is a chemical manufacturing company producing dyes and pigments both for domestic and international market. It has enjoyed a considerable market share but lately, it has been facing problems in terms of target sales and customer satisfaction. This is due to the reason that new entrants have emerged with better technology and competitive pricing. The chairman of the company addressed this issue in the departmental meeting. The production head, Mr Kamble, advised

the chairman to revamp the system and take immediate necessary actions to rectify the problem so that sales are achieved as per the plans.

Identify the relevant function of management being discussed here. (CBSE SQP 2023-24)

- a. Organising
- b. Staffing
- c. Controlling
- d. Planning

**Q 5. An important project at Mehta Consultants is running behind schedule by a month. This has upset their clients and might affect the reputation of the company in the long run. No managerial action like assigning more workers, additional equipment or giving overtime has been done to solve the problem. What managerial action may now be taken by the company to avoid such situation in the future?**

- a. Revise the schedule
- b. Assigning additional workers and equipment to the project
- c. Get permission for further overtime work
- d. Both b. and c.

**Q 6. Standards can be set-up in ..... terms.**

- a. qualitative
- b. quantitative
- c. Both a. and b.
- d. None of these

**Q 7. Some employees have been assigned the job of measuring the output in an objective and reliable way. They are applying different techniques for achieving this aim. Some of these are personal-observation, sample-checking etc. They are also keeping the units of measurement same as that of the units in the standards.**

Name the step of controlling process applicable in the above paragraph. (CBSE SQP 2023-24)

- a. Analysing deviations
- b. Comparing actual performance with standards.
- c. Establishing standards.
- d. Measurement of actual performance.

**Q 8. An ideal control technique should concentrate on key aspects of performance as it is not possible for management to control each and every activity due to limited time. Identify the concept used in the given lines.**

- a. Management by exception
- b. Management by control
- c. Critical point control
- d. Both a. and c.

**Q 9. Function of controlling is performed at:**

- a. top level
- b. middle level
- c. operational level
- d. All of these

**Q 10. Controlling function of an organisation is:**

- a. forward looking
- b. backward looking
- c. Both a. and b.
- d. None of these

**Q 11. Out of the following, which standard can be maintained in marketing?**

- a. Cost
- b. Advertising expenditure
- c. Quantity
- d. Liquidity

**Q 12. Which of the following is related to the finance and accounting standard?**

- a. Flow of capital
- b. Liquidity
- c. Both a. and b.
- d. Quantity

**Q 13. Controlling function is ..... in nature.**

- a. prescriptive
- b. evaluative
- c. Both a. and b.
- d. None of these

**Q 14. Preparation of performance report of a subordinate by a superior relates to which step of the process of controlling function of management?**

- a. Measurement of actual performance
- b. Comparison of actual performance with standards
- c. Analysing deviations
- d. Taking corrective action

**Q 15.**



Which of the following step of controlling is illustrated in the above picture?

- a. Setting performance standards
- b. Measurement of actual performance
- c. Analysing deviations
- d. Taking corrective action

**Q 16. Performance must be measured in ..... units in which standards are set.**

- a. same
- b. different
- c. Both a. and b.
- d. None of these

**Q 17. Match the items given under Column I with the suitable statements under Column II:**

Column I	Column II
A. Critical point control	(i) Unrealistic standards and defective process may be the reason for occurrence of deviations.
B. Taking corrective action	(ii) Control system should focus on key result areas.
C. Analysing deviations	(iii) If deviation cannot be corrected through managerial action, the standards may have to be revised.
A B C	A B C
a. (ii), (iii), (i)	b. (i), (ii), (iii)
c. (iii), (i), (ii)	d. (ii), (i), (iii)

Q 18. 'Time taken by Dominos to serve a customer' is an example of:

- a. qualitative standard
- b. quantitative standard
- c. Both a. and b.
- d. None of these

Q 19. 'To reduce cost of production to ₹ 100 per unit' is an example of ..... standard.

- a. qualitative
- b. quantitative
- c. Both a. and b.
- d. None of these

Q 20. Effective control requires ..... action rather than ..... action.

- a. preventive, corrective
- b. corrective, preventive
- c. calculative, preventive
- d. None of the above

Q 21. Match the items given under Column I with the suitable statements under Column II:

Column I	Column II
A. Measurement of actual performance	(i) Only significant deviations which go beyond the permissible limit should be brought to the notice of management.
B. Setting performance standards	(ii) Comparison reveals the deviation between actual and desired result.
C. Management by exception	(iii) Performance should be measured in the same units in which standards are set.
D. Comparing actual performance with standards	(iv) Standards can be set in both qualitative and quantitative terms.

- |                           |                           |
|---------------------------|---------------------------|
| A B C D                   | A B C D                   |
| a. (iii), (iv), (i), (ii) | b. (ii), (i), (iii), (iv) |
| c. (i), (ii), (iii), (iv) | d. (i), (iii), (ii), (iv) |

Q 22. Which of the following is the appropriate sequence of steps of controlling process?

- a. Setting performance standards → Measurement of actual performance → Comparison of actual performance with standards → Taking corrective action → Analysing deviations
- b. Setting performance standards → Measurement of actual performance → Comparison of actual performance with standards → Analysing deviations → Taking corrective action
- c. Setting performance standards → Comparison of actual performance with standards → Measurement of actual performance → Analysing deviations → Taking corrective action
- d. Setting performance standards → Measurement of actual performance → Analysing deviations → Comparison of actual performance with standards → Taking corrective action

Q 23. The main objective behind controlling is:

- a. punishing the guilty
- b. fixing responsibility of the subordinate
- c. ensuring conformity of performance with established standards
- d. creating a fear for discipline

Q 24. An efficient control system helps in:

- a. accomplishing organisational goals
- b. judging accuracy of standards
- c. making efficient use of resources
- d. All of the above

Q 25. The term used to indicate the difference between standard performance and actual performance is called:

- a. Deviation
- b. Corrective action
- c. Capital expenditure
- d. None of the above

Q 26. In case of 'Obsolete machinery', the corrective action will be:

- a. change quality specification of material
- b. repair or replace the existing machinery
- c. undertake technological upgradation of machinery
- d. None of the above

Q 27. Critical point control focuses on:

- a. every activity
- b. key result areas
- c. actual output
- d. planned output

Q 28. Which function is pre-requisite for controlling?

- a. Planning
- b. Organising
- c. Staffing
- d. Directing

Q 29. Which principle is based on the following belief? "If you try to control everything, you may end up controlling nothing."

- a. Management by exception
- b. Critical point control
- c. Both a. and b.
- d. Neither a. nor b.

Q 30. An efficient control system helps in:

- a. accomplishing organisational goal
- b. judging accuracy of standards
- c. making efficient use of resources
- d. All of the above

Q 31. Which one of the following is essential element of an effective control system?

- a. Rigid
- b. Flexible
- c. Economical
- d. Both b. and c.

Q 32. Statement I: Controlling can prevent deviation.

Statement II: Controlling helps to minimise deviations by taking actions and decisions that reduce their recurrence.

Choose the correct option from the options given below:

- a. Statement I is true and II is false.
- b. Statement II is true and I is false.
- c. Both the statements are true.
- d. Both the statements are false.

**Q 33. Statement I: Controlling aims to ensure that resources are used effectively and efficiently to achieve predetermined goals.**

**Statement II: Controlling is both a backward looking as well as forward looking function.**

**Choose the correct option from the options given below:**

- a. Statement I is true and II is false.
- b. Statement II is true and I is false.
- c. Both the statements are true.
- d. Both the statements are false.

**Q 34. Statement I: A small enterprise cannot afford to install an expensive control system.**

**Statement II: Control system loses some of its effectiveness when standards cannot be defined in qualitative terms.**

**Choose the correct option from the options given below:**

- a. Statement I is true and II is false.
- b. Statement II is true and I is false.
- c. Both the statements are true.
- d. Both the statements are false.

**Q 35. Statement I: Planning works after controlling.**

**Statement II: Planning provides standards against which actual performance is compared under controlling.**

**Choose the correct option from the options given below:**

- a. Statement I is true and II is false.
- b. Statement II is true and I is false.
- c. Both the statements are true.
- d. Both the statements are false.

### **Assertion & Reason Type Questions**

**Directions (Q. Nos. 36-44):** There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below:

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

c. Assertion (A) is true, but Reason (R) is false.

d. Assertion (A) is false, but Reason (R) is true.

**Q 36. Assertion (A):** By keeping a check on the activities of the workers, directing creates an atmosphere of order and discipline among them.

**Reason (R):** Controlling is performed by all managers.

**Q 37. Assertion (A):** Controlling is backward looking as well as forward looking process.

**Reason (R):** Controlling is the end of the management function cycle.

**Q 38. Assertion (A):** Controlling is regarded as goal-oriented process.

**Reason (R):** Controlling ensures that an organisation's resources are effectively and efficiently utilised for achievement of goal.

**Q 39. Assertion (A):** Critical point control system should first focus on key result areas.

**Reason (R):** It is not possible to keep a check on all the activities of the enterprise.

**Q 40. Assertion (A):** Deviations in key areas of business need to be attended more urgently as compared to deviations in certain insignificant areas.

**Reason (R):** Deviation can be positive, when actual performance is better than the standard performance.

**Q 41. Assertion (A):** Planning is a pre-requisite for controlling.

**Reason (R):** Planning provides standards against which actual performance is compared under controlling.

**Q 42. Assertion (A):** Controlling helps to reduce wastage and spoilage of resources.

**Reason (R):** An efficient control system creates an atmosphere of order and discipline in the organisation.

**Q 43. Assertion (A):** Controlling can prevent deviations.  
**Reason (R):** Controlling helps to minimise deviations by taking actions and decisions that reduce their recurrence.

**Q 44. Assertion (A):** Control is exercised at all levels of management.

**Reason (R):** Controlling is a pervasive function.

### Answers

1. (d) Controlling

2. (b) Control by exception

3. (c) Controlling

4. (c) Controlling

5. (d) Both b. and c.

6. (c) Both a. and b.

7. (d) Measurement of actual performance

8. (c) Critical point control

9. (d) All of these

10. (c) Both a. and b.

11. (b) Advertising expenditure

12. (c) Both a. and b.

13. (b) evaluative

14. (a) Measurement of actual performance

15. (d) Taking corrective action
16. (a) same
17. (a) A-(ii), B-(iii), C-(i)
18. (b) quantitative standard
19. (b) quantitative
20. (a) preventive, corrective
21. (a) A-(iii), B-(iv), C-(i), D-(ii)
22. (b) Setting performance standards → Measurement of actual performance → Comparison of actual performance with standards → Analysing deviations → Taking corrective action
23. (c) ensuring conformity of performance with established standards
24. (d) All of the above
25. (a) Deviation
26. (c) undertake technological upgradation of machinery
27. (b) key result areas
28. (a) Planning
29. (a) Management by exception
30. (d) All of the above
31. (d) Both b. and c.
32. (b) Statement II is true and I is false.
33. (c) Both the statements are true.
34. (a) Statement I is true and II is false.
35. (b) Statement II is true and I is false.
36. (d) Assertion (A) is false, but Reason (R) is true.
37. (c) Assertion (A) is true, but Reason (R) is false.
38. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
39. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
40. (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
41. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
42. (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
43. (d) Assertion (A) is false, but Reason (R) is true.
44. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).



## Case Study Based Questions ↘

### Case Study 1

Read the extract given below and answer the questions on the basis of the same:

Maya Ltd. is a renowned company engaged in assembly of air-conditioners. Recently, the company had conducted the 'Time' and 'Motion' study and concluded that on an average a worker can assemble ten air-conditioners in a day. The target volume of the company in a day is assembling of 1,000 units of air-conditioners. The company is providing attractive allowances to reduce labour turnover and absenteeism. All the workers are happy. Even then the assembly of air-conditioners per day is 800 units only. To find out the reason, the company compared actual performance of each worker and observed through CCTV that some of the workers were busy in gossiping.

**Q 1. Identify the function of management discussed above:**

- a. Planning
- b. Organising
- c. Directing
- d. Controlling

**Q 2. Which step of controlling process is mentioned in the lines: "The target volume ..... air-conditioners?"**

- a. Setting performance standards
- b. Measurement of actual performance
- c. Comparing of actual performance with standards
- d. Analysing deviations

**Q 3. Which step of controlling process is mentioned in the lines: "Even then ..... 800 units only?"**

- a. Setting performance standards
- b. Measurement of actual performance
- c. Comparing actual performance with standard performance
- d. Analysing deviations

**Q 4. Which step of controlling process is mentioned in the lines: "To find out ..... gossiping."**

- a. Setting performance standards
- b. Measurement of actual performance
- c. Comparing actual performance with standard performance
- d. Analysing deviations

### Answers

1. (d)      2. (a)      3. (b)      4. (d)

## Case Study 2

Read the extract given below and answer the questions on the basis of the same:

Textile manufacturer 'Fabrica Textiles' reported 45% fall in its profits, in the fourth quarter ended 31st March, 2021, which is beyond the acceptable range 25% decided by the company. This was due to higher fuel cost and lower yield on account of COVID. The company aims to implement cost saving measures by restructuring contracts and its business processes to meet its targets in the future.

**Q 1. Name the function of management discussed above.**

- a. Planning
- b. Controlling
- c. Staffing
- d. Directing

**Q 2. The function identified in Q1 has a direct relationship with one of the functions of management. Identify that function.**

- a. Planning
- b. Staffing
- c. Directing
- d. Organising

**Q 3. Which step of controlling process is mentioned in the lines: "Textile manufacturer ..... COVID."**

- a. Measurement of actual performance
- b. Setting performance standards
- c. Analysing deviations
- d. Taking corrective action

**Q 4. Which step of controlling process is mentioned in the lines: "The company aims ..... future."**

- a. Measurement of actual performance
- b. Comparing actual performance with standards
- c. Analysing deviations
- d. Taking corrective action

### Answers

1. (b)      2. (a)      3. (c)      4. (d)

## Case Study 3

Read the extract given below and answer the questions on the basis of the same:

Krishna Co. Ltd. is engaged in manufacturing of machine components. The target of production is 800 units daily. The company had been successfully attaining this target until two months ago. Over the last two months, it has been observed that daily production varies between 450-670 units. It is found out that the deviation is beyond the acceptable range and needed immediate action. Identify the possible causes for the decline in production and the steps to be taken to achieve the desired targets.

**Q 1. What is 800 units in the above case?**

- a. Standards set
- b. Actual performance
- c. Deviations
- d. None of the above

**Q 2. "It is found out that the deviation is beyond the acceptable range and needed immediate action." Identify the step of the process.**

- a. Establishment of performance standards
- b. Taking corrective actions
- c. Analysing deviations
- d. None of the above

**Q 3. Name the step which should be followed after the step identify in Q 2.**

- a. Establishment of performance standards
- b. Taking corrective actions
- c. Analysing deviations
- d. None of the above

**Q 4. Identify the concept of management being discussed in the above case.**

- a. Planning
- b. Organising
- c. Directing
- d. Controlling

### Answers

1. (a)      2. (c)      3. (b)      4. (d)

## Case Study 4

Read the extract given below and answer the questions on the basis of the same:

Mr. Aakash is a chief manager of a L.T.M company that manufactures shirts. 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.

**Q 1. Describe any two features of controlling highlighted in the above situation.**

**Ans.** The two features of controlling are:

- (i) Goal-oriented function
- (ii) Continuous function

**Q 2. Explain any two points of importance of controlling.**

**Ans.** The two importance of controlling are:

- (i) Achievement of organisational goal
- (ii) Efficient utilisation of resources.

## Case Study 5

Read the extract given below and answer the questions on the basis of the same:

Vineet was the Chief Operating Officer of Blue Star Ltd., a company providing advanced software solutions to Indian Defence Services. They had been carrying on business successfully for the last twelve years and earning enough profits. But from the last one year, they realised that though the business is getting big orders which are being fulfilled in time, even then the revenues kept on decreasing. Vineet

was not able to find out where the problem was. He started keeping a close check on the progress of activities as he could sense that something was wrong. He wanted to take some action before any major damage could be done to the business. Vineet appointed a cyber security expert who monitored the company's processes and found out that the computer operator was deleting the entries from the computers and pocketing the revenues. He was caught and handed over to the police. This created an atmosphere of order and discipline in the organisation and helped in minimising dishonest behaviour on the part of the employees.

**Q 1. Identify the function of management highlighted in the above paragraph.**

**Ans.** Controlling.

**Q 2. Explain any two other ways in which this function of management may help the organisation.**

**Ans.** (i) Motivation of employees.  
(ii) Facilitates coordination in action.



### **Very Short Answer Type Questions** ↘

**Q 1. How is controlling a forward looking function? State.**

**Ans.** Controlling is forward looking function as it aims to improve future performance based on experience gained in the past.

**Q 2. Why is it said that controlling is looking back?**

**Ans.** Controlling is a backward looking function as it measures and compares actual performance with standards fixed in the past.

**Q 3. What is meant by management by exception in the process of controlling?**

**Ans.** Management by exception states that if management tries to control everything, it will end up controlling nothing.

**Q 4. Give the meaning of critical point control.**

**Ans.** It is important for the management to keep track of a few Key Result Areas (KRAs) which are also known as critical points. If anything goes wrong at the critical points, the entire organisation suffers.

**Q 5. Which term is used to indicate the difference between standard performance and actual performance?**

**Ans.** Deviation.

**Q 6. State any one situation in which an organisation's control system loses its effectiveness.**

**Ans.** Control system loses its effectiveness when standards of performance cannot be defined in quantitative term.

**Q 7. Is controlling the end of management functions cycle?**

**Ans.** No, controlling is not the end of management functions cycle because it brings back the management cycle to planning functions.

**Q 8. Why is controlling a pervasive function?**

**Ans.** Controlling is a pervasive function as it is required in all organisations at all levels of management.

**Q 9. Standards are set in quantitative as well as in qualitative terms. Identify the type of standards when it is set in terms of time to be spent.**

**Ans.** Quantitative Standard.

**Q 10. Which two aspects of performance are compared in controlling?**

**Ans.** In controlling, actual performance is compared with standard performance.

**Q 11. Should all deviations be controlled in an organisation?**

**Ans.** No, as per management of exception, only significant deviations which go beyond the permissible limit should be brought to the notice of management.

**Q 12. What should be the focus point for a manager while controlling at each and every step is not possible?**

**Ans.** Focus on Key Result Areas (KRAs) which are critical to the success of an organisation.

**Q 13. Give an example of external factor, which is beyond the controlling process.**

**Ans.** Government policies.

**Q 14. Why is it said that planning is a pre-requisite for controlling?**

**Ans.** Planning is a pre-requisite because planning provides standards against which actual performance is compared under controlling.

**Q 15. A company had been successfully achieving its target production of 60 units per day. But for the last 3 months, production varies between 30-35 units per day. Which management function is needed to rectify the above situation?**

**Ans.** Controlling.



### **Short Answer Type-I Questions** ↘

**Q 1. Ritesh Agarwal is a cloth merchant in Sarojini Nagar. His grandsons are requesting him to let them diversify the business into bridal wear. Ritesh Agarwal has agreed, but on condition that they will follow the function of management he has always followed, which helps an organisation to keep track of the progress of activities to ensure that the activities conform to the standards set in advance, so that the organisational goals are achieved. Name the function of management which Ritesh Agarwal is asking his grandsons to follow. List any two reasons why it is considered an indispensable function of management?**

**Ans.** Controlling is that function of management that Ritesh Agarwal is asking his grandsons to follow.

It is considered an indispensable function of management because of following reasons:

- (i) It helps in accomplishing organisational goals.
- (ii) It helps in judging accuracy of standards.



Q 2. Sunidhi Ltd. is engaged in manufacturing machine components. The target production is 300 units per day. The company had been successfully attaining this target until two months ago. Over the last two months, it has been observed that daily production varies between 250-270 units.

- (i) Identify the management function to rectify given situation.
- (ii) Briefly state the procedure to be followed so that actual production may come up to target production.

Ans. (i) The controlling function of management is needed to rectify given situation.

(ii) The procedure to be followed so that the actual performance may come up to target production are:

- (a) Providing training to workers if workers are not well versed with the production process.
- (b) Improving work environment if it is not conducive to efficient working.
- (c) Ensuring timely availability of raw materials and other equipments.

Q 3. Shanaya has established a small-scale factory after completing a course in textile designing. She has tied up with the big home furnishing retail outlet in the city for supplying to them good quality designer home furnishing products like bed covers, cushions, etc. She believes that controlling without planning is blind. So, every time she gets an order, she sets the standards in term of number of personnel required, the estimated requirements in man-hours per product, the requirement of direct material for the projected production and the amount of normal overhead expenses required at the projected work-load. She also keeps a close check on activities so as to ensure that they conform to plans. Whenever the order size is too large, she hires extra workers by placing a notice on the notice-board of the factory specifying the details of jobs available.

In the context of the above paragraph:

- (i) Identify the function of management being performed by Shanaya.
- (ii) Do you think Shanaya is right in her thinking that, controlling without planning is blind. Briefly explain.

Ans. (i) The function of management being performed by Shanaya are controlling and staffing.

(ii) Yes, Shanaya is thinking right that Controlling without planning is blind. Controlling involves comparison of actual performance with certain standards which are provided by planning. So, when there is no plan (*i.e.*, the standards are not set in advance), manager has no basis for controlling.

Q 4. Alfa Ltd. is engaged in making readymade shirts to components. The target of production is 1,500 shirts daily. The company had been successfully attaining this target until two months. Over the last two months, it has been observed that daily production varies between 1,200-1,300 shirts units. Identify the possible causes for decline in production and the steps to be taken to achieve target.

Ans. The possible causes for decline in production can be:

- (i) Workers are not well-versed with production process.
  - (ii) The working environment is not conducive to efficient working.
  - (iii) The raw material and other equipment are not available on time.
  - (iv) The machinery is defective or has become obsolete.
- The deviations require immediate managerial attention, therefore, the manager can take following corrective actions:
- (a) Providing training to workers.
  - (b) Improving work environment.
  - (c) Ensuring timely availability of raw material and other equipments.
  - (d) Replacing the machinery.

Q 5. Catch pickles is a company involved in export of indigenous food products like sauces and pickles. It has tied up with the small farmers in various states for sourcing of fruits and vegetables. In this way, it helps the small farmers to sell their produce at reasonable price. The company follows a practice where only significant deviations from a budget or plan are brought to attention of management. The degree of deviations allowed in different categories in budget are well-defined in advance, along with the appropriate levels of management who will respond to the concerned deviations. For example, a deviation of ₹20,000 or more in purchase costs will be reported to concerned departmental manager.

In the context to the above paragraph:

- (i) Identify the principle of management control adopted by management. State the belief underlying this principle.
- (ii) Is this control system effective?

Ans. (i) Management by exception is the principle of management control adopted by company. It is based on belief that if you try to control everything, you may end up controlling nothing.

(ii) Yes, this control system is effective because of the below stated reasons:

- (a) The concerned person tries to control only major deviations and he devotes his time and energy in overcoming such deviations.
- (b) Minor issues are left for lower level managers.

Q 6. State any three reasons as to why controlling is regarded as an indispensable function of management. (CBSE SQP 2023-24)

Ans. Controlling is regarded as an indispensable function of management because of following reasons:

- (i) Controlling helps in achievement of organisational goals through proper monitoring of performance and implementation of corrective action.
- (ii) Controlling helps in maintaining order and discipline in the organisation as it keeps strict supervision on various activities in the organisation.
- (iii) Controlling helps in efficient utilisation of resources as continuous monitoring and action, all the unnecessary wastages can be prevented.

Q 7. Enumerate any three advantages of management by exception which is used by manager in analysing deviations. (CBSE SQP 2023-24)

Ans. The advantages of management by exception are:

- (i) It prevents management from over managing.
- (ii) It alarms the management about the good opportunities as well as difficulties.
- (iii) Qualitative and quantitative yardsticks are provided for judging the current position.

Q 8. "If anything goes wrong with the performance of key activities, the entire organisation suffers. Therefore, the organisation should focus on them." Explain the statement with suitable example. (CBSE 2015)

OR

Explain 'Critical Point Control' with respect to analysing deviations, a step in the process of controlling. Give suitable example.

(CBSE SQP 2022-23)

Ans. The given statement refers to the importance of critical point control in order to ensure effective performance of key activities in an organisation.

**Critical Point Control:** It may not be either economical nor easy to monitor each and every activity in the organisation. Therefore, every organisation identifies and states its specific Key Result Areas (KRAs) or critical points which require tight control and are likely to have a significant effect on working of business. For example, if in an organisation, the expenditure on stationery goes up by 10%, it can be ignored but if the production cost goes up by 5%, it may call for managerial action.

Q 9. "An ideal control technique is the one that checks every bit of performance." Do you agree?

OR

"Higher level management needs to be informed of all deviations and variations in performance." Do you agree?

OR

Explain 'Management by Exception' with respect to analysing deviations, a step in the process of controlling. Give suitable example.

(CBSE SQP 2022-23)

Ans. No, I don't agree with this statement.

The concept that supports my point of view is management by exception.

**Management by Exception/Control by Exception:**

It states that if management tries to control everything, it will end up controlling nothing.

So, the management should keep track of significant deviations going beyond limits. For example, if the increase in labour goes beyond, say a permissible limit of 5%, the management should take all possible actions to bring down the increase in labour cost.

### COMMON ERROR

Sometimes students get confused between methods of analysing deviations and techniques of managerial control.

### TIP

Critical point control and management by exceptions are two methods of analysing deviations. It should not be included in techniques of managerial control.

Q 10. "Measurement of a company's progress may involve calculation of certain ratios like gross profit ratio, net profit ratio and return on investment, etc., at periodic intervals." Identify the function of management involved in the above context. Also briefly explain the steps in the process of the identified function discussed above.

(CBSE SQP 2022, Term-2)

Ans. (i) Controlling

(ii) The steps in the process of the controlling are:

- (a) Setting performance standards
- (b) Measuring actual performance
- (c) Comparing actual performance with the set standards
- (d) Analysing deviations
- (e) Taking corrective action

Q 11. Mr Arbaaz had been heading the production department of Studymart Products Ltd., a firm manufacturing stationery items. The firm secured an export order that had to be completed on priority basis and production target were defined for all the employees. One of the workers, Mr Gaurav Anand, fell short of his daily production target by 10 units for two days consecutively. Mr Arbaaz approached Ms Ishita, CEO of company, to file a complaint against Mr Gaurav Anand and requested her to terminate his service. Explain the principle of management control that Ms Ishita should consider to take her decision.

**Ans.** Ms Ishita must consider the principle of management by exception while taking her decision.

Management by exception helps in controlling process by identifying only significant deviations which cross the permissible limit/acceptable range and bringing them to the notice of the management. In this case, Mr. Gaurav Anand has fallen short of his daily production target only by 10 units. This is only a small deviation and it is not justified to terminate his services on basis of this as it is a very small deviation so as to take an extreme action.

**Q 12. A company was manufacturing LED bulbs which were in great demand. It was found that the target of producing 300 bulbs in a day was not met by the employees. On analysis, it was found that the workers were not at fault. Due to electricity failure and shortage of workers, the company was not able to achieve the set target and alternative arrangements were needed.**

To meet this increased demand, the company assessed that approximately 88 additional workers were required out of which 8 would work as head of different departments and 10 would work as subordinates under each head. The required qualification and job specifications were also enlisted. It was also decided that necessary relaxations should be given to encourage women, people from backward and rural areas and people with special abilities to assume responsibilities in the organisation. All efforts were made to match the ability of applicants with nature of work.

(i) Identify the function of management which has a direct relationship with planning function of management discussed above.

(ii) State three steps in process of this function discussed above, quoting lines from the passage.

**Ans.** (i) The function of management which has a direct relationship with planning function of management discussed above is controlling.

(ii) The three steps involved in controlling function are:

(a) Comparing actual performance with the standards set, to identify deviations, if any.

**Lines Quoted:** "It was found that the target of producing 300 bulbs in a day was not met by the employees."

(b) Analysing deviations through critical point control and management by exception approach to identify the causes of their occurrence.

**Lines Quoted:** "On analysis, it was found that the workers were not at fault. Due to electricity failure and shortage of workers, the company was not able to achieve the set target and alternative arrangements were needed."

(c) Taking corrective action, if required.

**Lines Quoted:** "To meet this increased demand, the company assessed that approximately ..... as subordinates under each head."

**Q 13. Explain (i) Ensuring order and discipline; and (ii) Facilitating coordination in action, as importance of controlling function of management. (CBSE 2023)**

**Ans. (i) Ensuring Order and Discipline:** It helps in maintaining order and discipline in the organisation as it keeps strict supervision on various activities in the organisation.

(ii) **Facilitating coordination in Action:** It facilitates coordination in action as every employee and department performs according to set standards.

**Q 14. Planning and controlling are inseparable twins of management. Explain the relationship between planning and controlling with the help of any three points. (CBSE 2023)**

**Ans.** Planning and controlling are inseparable twins of management because Planning and controlling functions always co-exist or have to exist together as one function depends on the other.

The relationship between planning and controlling can be explained as follows:

(i) Controlling directs the course of planning. Controlling spots the areas where planning is required.

(ii) Planning is the initial step and controlling is in the process and required at every step.

(iii) Both planning and controlling aim at the future prospects of the business. Planning is always for future and control is also forward looking.

**Q 15. Explain any three features of controlling.**

**Ans.** Features of controlling are explained below:

(i) **Goal-oriented:** It is a goal-oriented function. It aims to ensure that resources are used properly (effectively and efficiently) to achieve predetermined goals.

(ii) **Pervasive Function:** It is a pervasive function as it is used in the organisations of varying types and sizes and at all levels.

(iii) **Forward Looking:** It is considered to be a forward looking function as it helps to improve the future performance on the basis of experience gained on past efforts.

**Q 16. State any three importance of controlling.**

**Ans.** The importance of controlling are:

(i) **Judging Accuracy of Standards:** It helps in judging the accuracy of standards set as in case the standards are too strict, they can be revised. Some goals are too tough to be achieved as the external business environment may not support the organisation. In such a situation, it is wise to revise the set standards.

- (ii) **Efficient Use of Resources:** It helps in efficient utilisation of resources as continuous monitoring and action, all the unnecessary wastages can be prevented.
- (iii) **Improving Employee Motivation:** It helps in motivating employees as employees know in advance the standards against which their performance will be appraised.



### Short Answer Type-II Questions ↘

**Q 1.** Priya is a regional manager of XYZ Ltd. She is a hardworking employee and is trying to reduce wastage of resources in her company. She has set standards for performance of different activities and is ensuring that targets are met according to these standards with minimal wastage of resources. She has set up CCTV cameras which helps her to keep a close check on the activities of the subordinates and know how the employees are performing. She also rewards the employees with a bonus when these standards are met. She is trying her best to ensure a good performance of her team this year through the application of an important function of management. Explain any two benefits of the function of management highlighted above. (CBSE SQP 2022, Term-2)

- Ans.** (i) Controlling.
- (ii) **Benefits of Controlling:** The main benefits of controlling are:
- (a) **Accomplishing Organisational Goals:** It helps in achievement of organisational goals through proper monitoring of performance and implementation of corrective action.
  - (b) **Ensuring Order and Discipline:** It helps in maintaining order and discipline in the organisation as it keeps strict supervision on various activities in the organisation.

**Q 2.** Mohit started a take away eating point in a nearby market. His business was doing well. He ensured that the food was properly cooked, a standard taste was maintained, packing of food was done effectively and orders were executed on time. But unfortunately he met with an accident and was advised three months bed rest. In his absence, his cousin Ronit took charge of his business. When he resumed, he realised that his clientele had dropped. The people were not happy with services as the quality of food had deteriorated and delivery time of order had increased considerably. All this was happening because most of his previous staff left as Ronit used to adopt a very strict and authoritative approach towards them.

In the context of above paragraph:

- (i) List any two aspects about his business that Mohit was controlling in order to make it successful.

- (ii) Explain briefly any two points to highlight the importance of controlling function.

**OR**

**Explain: (i) Accomplishing organisational goals and (ii) Judging accuracy of standards as importance of controlling function of management. (CBSE 2023)**

- Ans.** (i) The two aspects about his business that Mohit was controlling in order to make it successful are:
- (a) Standard taste was maintained.
  - (b) The orders were executed on time.
- (ii) The two points that highlight the importance of controlling function are:
- (a) **Accomplishing Organisational Goals:** It helps in achievement of organisational goals through proper monitoring of performance and implementation of corrective action.
  - (b) **Judging Accuracy of Standards:** It helps in judging the accuracy of standards set as in case the standards are too strict, they can be revised. Some goals are too tough to be achieved as the external business environment may not support the organisation. In such a situation, it is wise to revise the set standards.

**Q 3.** "Controlling helps in achieving objectives of the organisation and improving employees morale." Examine this statement.

**Ans.** Controlling helps in:

- (i) **Accomplishing Organisational Goals:** It helps in achievement of organisational goals through proper monitoring of performance and implementation of corrective action.
- (ii) **Improving Employees Motivation:** It helps in motivating employees as employees know in advance the standards against which their performance will be appraised.

**Q 4.** Malay was the CEO of YimYam Ltd., a company providing advanced software solutions to Indian Defence Services. They had been carrying on business successfully for the last 12 years and earning enough profits.

But from the last one year, they realised that though the business is getting big orders which are being fulfilled in time, even then the revenues kept on decreasing. Malay was not able to find out where the problem was. He started keeping a close check on the progress of activities as he could sense that something was wrong. He wanted to take some action before any major damage could be done to the business. Malay appointed a cyber security expert who monitored the company's processes and found out that the computer operator was deleting the entries from the computers and pocketing the revenues. He was caught and handed over to the police. This created an atmosphere of order and discipline in the organisation and helped in minimising dishonest behaviour on the part of employees.

- (i) Identify the function of management highlighted in the above paragraph.
- (ii) Explain any two other ways in which this function of management may help the organisation.

Ans. (i) Controlling.

(ii) Two other ways in which this function of management may help the organisation are:

(a) **Accomplishing Organisational Goals:** It helps in achievement of organisational goals through proper monitoring of performance and implementation of corrective action.

(b) **Judging Accuracy of Standards:** It helps in judging the accuracy of standards set as in case the standards are too strict, they can be revised. Some goals are too tough to be achieved as the external business environment may not support the organisation. In such a situation, it is wise to revise the set standards.

**Q 5. Is controlling the last function of management? Explain giving reasons in support of your answer.**

Ans. Controlling should not be misunderstood as the last function of management. It is a function that brings back the management cycle back to the planning function.

Controlling determines how far actual performance deviates from standards, analyses the causes of such deviations and attempts to take corrective actions based on the same.

This process helps to formulate future plans in the light of problems identified and helps in better planning in future periods.

Thus, controlling only completes one cycle of management process and improves planning in the next cycle.

**Q 6. Textile manufacturer Labella Textiles reported 43% fall in its profits in the fourth quarter ended 31.3.2018, which is beyond the acceptable range 25% decided by the company. This was due to higher fuel cost and lower yield on account of demonetisation. The company aims to implement cost saving measures by restructuring contracts and its business processes to meet its targets in the future.**

- (i) Name the function of management discussed above.
- (ii) Also identify and explain the steps of the function of management discussed above.

Ans. (i) The function of management discussed above is controlling.

(ii) The steps of controlling discussed above are:

(a) **Analysing Deviations:** The deviations from standards are analysed to know their causes.  
While analysing deviations, it is important to determine acceptable range of deviations and key result areas.

- (b) **Taking Corrective Action:** When the deviations go beyond the acceptable range, especially in key result areas, immediate managerial attention is required so that the deviations do not occur again.

No corrective action is required when the deviations are within the acceptable range. If deviation cannot be corrected through managerial action, the standards may have to be revised.

For example, if project is running behind the schedule, corrective action might involve assigning of additional workers and equipment to the project.

**Q 7. Analysing deviations and taking corrective actions' are the steps in the process of one of the significant functions of management. Identify the function and list the first three steps of the process of the function identified.** (CBSE 2022, Term-2)

Ans. (i) Controlling

(ii) First three steps of the process of controlling are:

- (a) Setting performance standards
- (b) Measuring actual performance
- (c) Comparing actual performance with the set standards.

**Q 8. Abhishek Limited is engaged in manufacturing of air purifiers. The target production is 500 air Purifiers in a week. Over the last few month, it has been observed by the production manager that the weekly production target was not achieved.**

**Identify the function and explain any two points of its importance.** (CBSE 2022, Term-2)

OR

**Explain (i) Making efficient use of resources and (ii) Improving employees motivation as importance of controlling function of management.** (CBSE 2023)

Ans. (i) Controlling.

(ii) **Importance of Controlling:** The main importance of controlling are:

- (a) **Making Efficient Use of Resources:** It helps in efficient utilisation of resources as continuous monitoring and action, all the unnecessary wastages can be prevented.
- (b) **Improving Employees Motivation:** It helps in motivating employees as employees know in advance the standards against which their performance will be appraised.



### Long Answer Type Questions

**Q 1. Explain the importance of controlling function of management.** (CBSE 2016)

OR

**Explain any three points of importance of controlling function of management.** (CBSE 2023)

Ans. Following are the points of importance of controlling function of management:

- (i) **Accomplishing Organisational Goals:** It helps in achievement of organisational goals through proper monitoring of performance and implementation of corrective action.
- (ii) **Ensuring Order and Discipline:** It helps in maintaining order and discipline in the organisation as it keeps strict supervision on various activities in the organisation.
- (iii) **Judging Accuracy of Standards:** It helps in judging the accuracy of standards set as in case the standards are too strict, they can be revised. Some goals are too tough to be achieved as the external business environment may not support the organisation. In such a situation, it is wise to revise the set standards.
- (iv) **Efficient Use of Resources:** It helps in efficient utilisation of resources as continuous monitoring and action, all the unnecessary wastages can be prevented.
- (v) **Improving Employees Motivation:** It helps in motivating employees as employees know in advance the standards against which their performance will be appraised.
- (vi) **Coordination in Action:** It facilitates coordination in action as every employee and department performs according to set standards.

### COMMON ERROR

Sometimes students write the importance of management instead of importance of controlling.

### TIP

Students should learn importance / objectives / steps of every function of management separately.

**Q 2.** A 'Critical Point Control' approach is followed by McDonald in cooking and handling process so that the any food safety threat can be prevented, eliminated, or reduced to an acceptable level. Hence, continuous monitoring of activities are undertaken to ensure that the process is right at each critical point control. The main principle followed for cooking at McDonald is 'Less Amount Many Time' which can ensure the high quality and high fresh level of food. For instance, if four hamburgers have to be made, a worker cannot cook all four hamburgers at one time. The time figured out for making one hamburger is one hundred and forty-five seconds. Moreover, nearly all foods in the McDonald have specific holding time, the holding time for hamburgers is ten minutes and for french fries is seven minutes. If it is not sold within the time it is thrown away. Also the milk sent by supplier must be under 4°C, otherwise, it will be returned.

In the context of above paragraph:

- (i) Name the steps involved in controlling process which is being discussed in above lines.
- (ii) What do you mean by Critical Point Control? Explain.

- Ans.**
- (i) Analysing deviation and taking corrective action are being discussed in given lines.
  - (ii) Critical Point Control helps in controlling process by focusing on Key Result Areas (KRAs) which are critical to the success of an organisation. These KRAs are set as critical points since it is neither economical nor easy to keep a check on each and every activity in an organisation. If anything goes wrong at critical points, then the organisation suffers. For example, in a manufacturing organisation, an increase of 10% in the labour cost may be more troublesome than a 20% increase in postal charges.

**Q 3.** Sahil works as an interior designer. He gets a contract to redesign a play school. He employs 3 painters on site assuming that on an average, a painter will be able to paint 10 desks in a day. At the end of first day of their work, Sahil finds that the painter A, painter B and painter C have painted 12, 14 and 15 desks. On comparing the actual performance with the planned performance, he realises that the standard set by him is too low. Consequently, he decides to review and revise the standard and raise it.

In the context of above paragraph:

- (i) Identify the function of management being performed by Sahil.
- (ii) "Planning and controlling are both backward looking as well as forward looking function," explain the statement by quoting lines from the above paragraph.

- Ans.**
- (i) Controlling is the function of management being performed by Sahil.
  - (ii) It is appropriate to say that planning and controlling are both backward looking as well as forward looking functions as evident from given case because:
    - (a) Planning is considered as a forward looking function as plans are made for future.  
**Lines Quoted:** "Assuming that on an average, a painter will be able to paint 10 desks in a day."
    - (b) Planning may be considered as a backward looking function because the quality of planning can be improved with the help of valuable information provided by controlling in terms of results achieved.  
**Lines Quoted:** "On comparing the actual performance with the planned performance, he realises that the standard set by him is too low."

- (c) Controlling is considered as a backward looking function as is like the post-mortem of the past activities to ascertain the deviations, if any.

**Lines Quoted:** "At the end of first day of their work, Sahil finds that the painter A, painter B and painter C have painted 12, 14 and 15 desks."

- (d) Controlling is considered as a forward looking function as it helps to improve the future performance by providing guidance for taking corrective action so that deviations do not occur in future.

**Lines Quoted:** "Consequently, he decides to review and revise the standard and raise it."

**Q 4.** Mr Naveen is the chief manager of a reputed company that manufactures garments. He called the production manager and instructed him to keep a continuous and constant 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.

- (i) Describe any two features of controlling highlighted in the above situation.  
(ii) Explain any four points of importance of controlling.

**Ans.** (i) The two features of controlling are:

(a) **Goal-oriented Function:** Controlling is a goal-oriented function. It aims to ensure that resources are used effectively and efficiently to achieve predetermined goals.

(b) **Continuous Function:** Controlling is a continuous function. It involves a continuous review of performance and revision of standards.

(ii) Four points of importance of controlling are:

(a) **Accomplishing Organisational Goals:** It helps in achievement of organisational goals through proper monitoring of performance and implementation of corrective action.

(b) **Judging Accuracy of Standards:** It helps in judging the accuracy of standards set as in case the standards are too strict, they can be revised. Some goals are too tough to be achieved as the external business environment may not support the organisation. In such a situation, it is wise to revise the set standards.

(c) **Efficient Use of Resources:** It helps in efficient utilisation of resources as continuous monitoring and action, all the unnecessary wastages can be prevented.

(d) **Ensuring Order and Discipline:** It helps in maintaining order and discipline in the organisation as it keeps strict supervision on various activities in the organisation.

**Q 5.** Explain the steps in the controlling process.

(CBSE 2016)

OR

Sohan is appointed as a factory manager in a gel pen manufacturing company. He was given a target of producing one lakh gel pens per month. He knew that the essence of management is to achieve desired results but he does not know how to ensure that the work goes on according to plans. Guide him by explaining the process so that he is able to achieve the desired results.

OR

Explain the following as steps in the process of controlling:

- (i) Setting performance standards  
(ii) Measurement of actual performance.

(CBSE 2023)

OR

Explain the following as steps in the process of controlling:

- (i) Analysing deviations; and  
(ii) Taking corrective action.

(CBSE 2023)

OR

Explain (i) Critical Point Control; and (ii) Management by exception, as an important part of analysing deviations a step in the process of controlling.

(CBSE 2023)

**Ans.** The steps in the controlling process are:

(i) **Setting Performance Standards:** The first step in the controlling process is setting up of performance standards. Standards should be set in precise quantitative terms. These are set at the stage of planning. They should be flexible in nature so that they can be altered as per need. Standards can be set up both in quantitative and qualitative terms.

(ii) **Measuring Actual Performance:** This is the next step. Performance should be measured in an objective and reliable manner. These includes personal observation and sample checking are the methods applied. For different departments, different parameters are to be used. It is generally believed that measurement should be done after the task is completed. For instance, in case of assembling task, each part produced should be checked before assembling.

(iii) **Comparing Actual Performance with the Set Standards:** This step involves comparison of actual performance with the standard. Such comparison will reveal the deviation between actual and desired results. At this stage, deviations come into picture. Deviation is the gap between set standards and actual performance.

(iv) **Analysing Deviations:** In this step, manager use the following terms for analysing deviations:

(a) **Critical Point Control:** It may not be either economical nor easy to monitor each and every activity in the organisation. Therefore, every organisation identifies and states its specific Key Result Areas (KRAs) or critical points which require tight control and are likely to have a significant effect on working of business. For example, if in an organisation, the expenditure on stationery goes up by 10%, it can be ignored, but if the production cost goes up by 5%, it may call for managerial action.

(b) **Management by Exception:** It states that if management tries to control everything it will end up controlling nothing.

So, the management should keep track of significant deviations going beyond limits. For example, if the increase in labour goes beyond, say a permissible limit of 5%, the management should take all possible actions to bring down the increase in labour cost.

(c) **Taking Corrective Action:** When the deviations go beyond the acceptable range, especially in key result areas, immediate managerial attention is required so that the deviations do not occur again.

No corrective action is required when the deviations are within the acceptable range.

If deviation cannot be corrected through managerial action the standards may have to be revised.

For example, if project is running behind the schedule, corrective action might involve assigning of additional workers and equipment to the project.



## TIP

Students should not get confused between comparing actual performance and standard and analysis deviation while writing of process of controlling.

Q 6. Explain (i) Management by exception, and (ii) Critical point control. (CBSE 2016)

Ans. (i) **Management by Exception/Control by Exception:** It states that if management tries to control everything it will end up controlling nothing. So, the management should keep track of significant deviations going beyond limits. For example, if the increase in labour goes beyond, say a permissible limit of 5%, the management should take all possible actions to bring down the increase in labour cost.

(ii) **Critical Point Control:** It may not be either economical nor easy to monitor each and every activity in the organisation. Therefore, every organisation identifies and states its specific Key Result Areas (KRAs) or critical points which require tight control and are likely to have a significant effect on working of business. For example, if in an organisation, the expenditure on stationery goes up by 10%, it can be ignored, but if the production cost goes up by 5%, it may call for managerial action.

Q 7. Manav has set-up an export house after completing his masters in fashion designing. As the quality of garment depend on the quality of raw material used, he assures that the fabric meets the requirement by conducting the series of tests for fabrics like shrinkage test, testing colour fastness to washing, colour fastness to light, colour fastness to perspiration, etc., through laboratory tests. Later on, at the production areas, the fabric inspection is also conducted by stopping the production process. The test helps to detect the deviations and also take corrective action. Moreover, he ensures that complete training about production work was given to every worker at the time of joining his export house.

In the context of the above paragraph:

(i) Identify the function of management being performed by Manav by conducting test to assure for quality of garments manufactured in his export house.

(ii) Briefly explain term 'Deviations'.

Ans. (i) 'Controlling' is the function being performed by Manav by conducting test to assure for quality of garments manufactured in his export house.

(ii) The term 'Deviation' refers to difference between the actual performance and desired performance. If the actual performance is more than the desired performance, it may be said to be positive in nature or vice-versa.

Q 8. Suruchi & Company is a large manufacturing unit. Recently the company has conducted time and motion studies and concluded that on an average, a worker could produce 400 units per day. However, it has been noticed that the average daily production per worker is in the range of 300-325 units, the deviation in the output in the range of 25-50 units per worker.

(i) Name the function of management and identify the steps in the process of this function which helped in finding out that the actual production of worker is less than the set target by quoting lines from the passage.

(ii) To complete the process of this function identified in point (i) and to ensure that the performance as per time and motion studies. Explain what further steps a manager has to take?





Ans. (i) Controlling is the function of management which helped in finding out that the actual performance of worker is less than the set target.

The steps involved in controlling function of management discussed are:

(a) Setting performance standards in clear, specific and measurable terms.

**Lines Quoted:** "Recently the company has conducted time and motion studies and concluded that on an average, a worker could produce 400 units per day."

(b) Measurement of actual performance as far as possible in the same units in which standards are set.

**Lines Quoted:** "It has been noticed that the average daily production per worker is in the range of 300-325 units."

(c) Comparing actual performance with standards to identify deviations, if any.

**Lines Quoted:** "The deviation in the output in the range of 25-50 units per worker."

(ii) In order to complete the process of controlling and to ensure the performance as per time and motion studies, further two steps to be taken are:

(a) **Analysing Deviation by Critical Point Control and Management by Exception Approach:**

- The deviations from standards are analysed to know their causes.
- While analysing deviation, it is important to determine:
  - Acceptable range of deviation.
  - Key Result Areas (KRAs).

(b) **Taking Corrective Action:** When the deviations go beyond the acceptable range, action must be taken immediately not to repeat the same deviation again. When deviation is within acceptable range, no corrective action is required.

Q 9. Navit and Naveen are good friends. They decide to set-up a digital printing press together as both of them are computer wizards. They plan to offer various types of printed products including labels, manuals, marketing material, memo pads, etc. They set standard for every aspect of work in order to create an efficient working environment. As per the standard, an average person types between 38 and 40 words per minute. Keeping this in mind, they engage two typists Sahil and Sanjeev and assign them work accordingly. Within two days, they realise the output in terms of typing work done by Sanjeev is too less as compared to desired output. On inspecting, Navit finds out that Sanjeev's typing speed is between 18 and 20 words per minute but Sanjeev exhibits great skills in designing work and

a good human being. Hence, Navit and Naveen decide to retain him for doing creative work and appoint a new typist.

In the context of above paragraph:

(i) Identify and explain the function of management being discussed here.

(ii) List the steps involved in the function of management as identified in part (i). Also, quote the lines from paragraph relating to each step.

Ans. (i) 'Controlling' is the function of management that has been discussed here.

Controlling function of management ensures that activities conform to the standards. It is the process of comparing actual performance with the standards, finding deviations and taking corrective action, if any.

(ii) The steps involved in the above process of controlling are:

(a) **Setting Performance Standards:**

**Lines Quoted:** "As per the standard, an average person types between 38 and 40 words per minute."

(b) **Measurement of Actual Performance:**

**Lines Quoted:** "Navit finds out that Sanjeev's typing speed is between 18 and 20 words per minute."

(c) **Comparison of Actual Performance with Standards:**

**Lines Quoted:** "The output in terms of typing work done by Sanjeev is too less as compared to desired output."

(d) **Analysing Deviations:**

**Lines Quoted:** "Within two days, they realise the output in terms of typing work done by Sanjeev is too less as compared to desired output."

(e) **Taking Corrective Action:**

**Lines Quoted:** "But Sanjeev exhibits great skills in designing work and a good human being. Hence, Navit and Naveen decide to retain him for doing creative work and appoint a new typist."

Q 10. What are standards? List the standards that are used in various functional areas to gauge performance.

Ans. Standards are the criteria against which actual performance must be measured. Standards set serve as benchmarks towards which an organisation strives to work. Standards can be set both in qualitative and quantitative terms.

Standard used in functional areas to gauge performance are:

Functional Areas →	Production	Marketing	Human Resource Management	Finance and Accounting
→	Quantity	Sales volume	Labour relations	Capital expense
→	Quality	Sales expense	Labour turnover	Inventories
→	Cost	Advertising expenditure	Labour absenteeism	Flow of capital
→	Individual job	Individual		Liquidity
→	Performance	Sales person performance		

**Q 11.** Delectious Delight Ltd. is a company known for manufacturing good quality confectionery products. The automated system of production ensures uniformity in production and quality maintenance. The quality assurance team conducts stringent checks at all stages, record and analyse the deviation and take the necessary corrective actions right from the procurement of raw material to its processing, production and packaging. The company has a well-equipped in-house quality check system by a team of experienced quality staff. In the context of above paragraph:

- (i) Identify and explain the function of management being performed by quality assurance team of Delectious Delight Ltd..
- (ii) Explain the statement, "Records and analyse the deviations and takes the necessary corrective action."

**Ans.** (i) (a) 'Controlling' is the function of management being performed by quality assurance team of Delectious Delight Ltd. .  
 (b) It is the process of comparing actual performance with standards, finding deviation and taking corrective action, if any.

(ii) The statement "Records and analyse the deviations and takes the necessary corrective action" refers to following steps involved in process of controlling:

- (a) **Comparing Actual Performance with the Set Standards:** Actual performance is compared with standards to find out deviation, if any.  
'Deviation' means the difference between actual performance and standard performance.
- (b) **Analysing Deviations:** The deviations from standards are analysed to know their causes. While analysing deviations, it is important to determine acceptably range of deviations and key result areas.

The two main concept of analysing deviation are:

- **Management by Exception/Control by Exception:** It states that if management tries to control everything it will end up controlling nothing. So, the management should keep track of significant deviations going beyond limits. For example, if the increase in labour goes beyond, say a permissible limit of 5%, the management should take all possible actions to bring down the increase in labour cost.
- **Critical Point Control:** It may not be either economical nor easy to monitor each and every activity in the organisation. Therefore, every organisation identifies and states its specific Key Result Areas (KRAs) or critical points which require tight control and are likely to have a significant effect on working of business. For example, if, in an organisation, the expenditure on stationery goes up by 10%, it can be ignored, but if the production cost goes up by 5%, it may call for managerial action.

**Q 12.** Virat Ltd. set-up a manufacturing unit at Meerut in Uttar Pradesh to manufacture electric geysers and supply them to dealers all over the country. Their production target was 500 geysers per week. It was decided by management that variation in production up to 10 units would be acceptable. At the end of first week, the production was 450 geysers. The next week, the production increased to 470 geysers. A week later, production was 460 geysers. On investigation, it was found that fluctuation in production was due to irregular supply of electricity.

- (i) The above paragraph discusses some of steps in process of one of the function of management. Explain these steps.
- (ii) Also, briefly explain the step(s) that have not been discussed in above paragraph.

**Ans.** (i) The steps in controlling process that are discussed above are:

- (a) **Setting Performance Standards:** The first step in the controlling process is setting up of performance standards. Standards should be set in precise quantitative terms. These are set at the stage of planning. They should be flexible in nature so that they can be altered as per need. Standards can be set-up both in quantitative and qualitative terms.
- (b) **Measurement of Actual Performance:** This is the next step. Performance should be measured in an objective and reliable manner. These includes personal observation and sample checking are the methods applied. For different departments, different

parameters are to be used. It is generally believed that measurement should be done after the task is completed. For instance, in case of assembling task, each part produced should be checked before assembling.

**(c) Comparing Actual Performance with the Set Standards:** This step involves comparison of actual performance with the standard. Such comparison will reveal the deviation between actual and desired results. At this stage, deviations come into picture. Deviation is the gap between set standards and actual performance.

**(d) Analysing Deviations:** The deviations from standards are analysed to know their causes while analysing deviations. It is important to determine:

- Acceptable range of deviations.
- Key Result Areas.

(ii) The step which was missing is:

**Taking Corrective Action:** When the deviations go beyond the acceptable range, especially in key result areas, immediate managerial attention is required so that the deviations do not occur again.

No corrective action is required when the deviations are within the acceptable range. If deviation cannot be corrected through managerial action, the standards may have to be revised.

For example, if project is running behind the schedule, corrective action might involve assigning of additional workers and equipment to the project.

**Q 13. A company Mayra 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.**

- Identify any two benefits the company will derive from a good control system.
- 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?

**Ans.** (i) Two benefits the company will derive from a good control system are:

(a) **Accomplishing Organisational Goals:** It helps in achievement of organisation goals

through proper monitoring of performance and implementation of corrective action.

(b) **Judging Accuracy of Standards:** It helps in judging the accuracy of standards set as in case the standards are too strict, they can be revised. Some goals are too tough to be achieved as the external business environment may not support the organisation. In such a situation, it is wise to revise the set standards.

(ii) The company can relate its planning with control by identifying the crucial areas and implementing an effective controlling system in such critical areas.

**Q 14. Following are some behaviours that you and others might engage in on-the-job. For each item, suggest the management what it must do to keep a check to ensure an efficient control system.**

- Falsifying quality reports.
- Overlooking boss's error to prove loyalty.
- Using company's supplies for personal use.
- Reporting a violation on noticing it.
- Biased performance appraisals.
- Taking longer than necessary to do the job.

**Ans.** (i) Quality reports are very crucial for the survival and growth of an organisation. Company should make use of critical point control for appraisal of quality reports.

(ii) Secret ballot system can be used for appraisal of the boss at regular intervals.

(iii) Following steps can be taken to prevent use of company's supplies for personal use:

(a) Security arrangements at entry and exit gates of the organisation.

(b) Installation of CCTVs at appropriate places.

(iv) The violation should be made known to the immediate superior. In case of major violation, it should be reported at appropriate level.

(v) Performance appraisals should be objective and not biased. An independent committee can be set up to avoid partial assessment of employees.

(vi) Time and motion study should be conducted to fix the standards for doing a job.

**Q 15. Kamakshi Ltd. is engaged in manufacturing high end luxury pens. The target production is 700 units daily. The company had been successfully attaining this target until three months ago. Over the last few months, it has been observed that daily productions varies between 600–650 units.**

- Identify the function of management, which has been highlighted in the above context.
- Discuss the steps involved in the process of function identified above.

**Ans.** (i) The function of management highlighted in the above context is controlling.

(ii) The steps involved in the process of controlling function are:

**(a) Setting Performance Standards:** The first step in the controlling process is setting up of performance standards. Standards should be set in precise quantitative terms. These are set at the stage of planning. They should be flexible in nature so that they can be altered as per need. Standards can be set-up both in quantitative and qualitative terms.

**(b) Measuring Actual Performance:** This is the next step. Performance should be measured in an objective and reliable manner. These includes personal observation and sample checking are the methods applied. For different departments, different parameters are to be used. It is generally believed that measurement should be done after the task is completed. For instance, in case of assembling task, each part produced should be checked before assembling.

**(c) Comparing Actual Performance with the Set Standards:** This step involves comparison of actual performance with the standard. Such comparison will reveal the deviation between actual and desired results. At this stage, deviations come into picture. Deviation is the gap between set standards and actual performance.

**(d) Analysing Deviations:** In this step, manager use the following terms for analysing deviations:

- **Critical Point Control:** It may not be either economical nor easy to monitor each and every activity in the organisation. Therefore, every organisation identifies and states its specific Key Result Areas (KRAs) or critical points which require tight control and are likely to have a significant effect on working of business. For example, if in an organisation, the expenditure on stationery goes up by 10%, it can be ignored, but if the production cost goes up by 5%, it may call for managerial action.

- **Management by Exception/Control by Exception:** It states that if management tries to control everything it will end up controlling nothing. So, the management should keep track of significant deviations going beyond limits.

For example, if the increase in labour goes beyond, say a permissible limit of 5%, the management should take all possible actions to bring down the increase in labour cost.

- (e) **Taking Corrective Action:** When the deviations go beyond the acceptable range, especially in key result areas, immediate managerial attention is required so that the deviations do not occur again.

No corrective action is required when the deviations are within the acceptable range. If deviation cannot be corrected through managerial action, the standards may have to be revised.

For example, if project is running behind the schedule, corrective action might involve assigning of additional workers and equipment to the project.



## Chapter Test

### Multiple Choice Questions

Q 1. The controlling function is performed by:

- a. top level management
- b. lower level management
- c. middle level management
- d. All of the above

Q 2. .... is the inseparable twin of controlling.

- a. Planning
- b. Organising
- c. Directing
- d. Staffing

Q 3. Deviations are said to be ..... in nature when actual performance is more than the planned (desired) performance.

- a. positive
- b. negative
- c. within limits
- d. flexible

Q 4. Statement I: The controlling function measures progress towards the organisational goals.

Statement II: Controlling is the least important function of management.

Choose the correct option from the options given below:

- a. Statement I is true and II is false.
- b. Statement II is true and I is false.
- c. Both the statements are true.
- d. Both the statements are false.

### Assertion and Reason Type Questions

**Directions (Q. Nos. 5-6):** There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true, but Reason (R) is false.
- d. Assertion (A) is false, but Reason (R) is true.



Q 5. Assertion (A): Controlling is the last function of management.

Reason (R): Controlling brings back the management cycle back to the planning function.

Q 6. Assertion (A): Controlling helps to reduce wastage and spoilage of resources.

Reason (R): An efficient control system creates an atmosphere of order and discipline in the organisation.

### Case Study Based Questions

Q 7. Read the extract given below and answer the questions on the basis of the same:

Paras E & T Limited deals in electronic products such as fans, air-conditioner, LCD, etc. Production manager, Benu is keenly observing the quantity of fans produced in the company. He realises that there is no need for any action to be taken as the deviations are within the acceptable limits. Next day, he observes the production of LCDs. He found out that the deviation is beyond the acceptable range and needed immediate action. He called her subordinates and told them that this should not happen again. Benu then tells this to his immediate superior, Anil, that there are some areas that need to be focused. Anil replies him that we should focus on a few critical activities of the company.

(i) Identify the concept of management being discussed in the above case.

- a. Planning
- b. Organising
- c. Directing
- d. Controlling

(ii) "He found out that the deviation is beyond the acceptable range and needed immediate action." Identify the step of the process.

- a. Establishment of performance standards
- b. Taking corrective actions
- c. Analysing deviations
- d. None of the above

(iii) Name the step which should be followed by Benu after the step identified in point (ii).

- a. Establishment of performance standards
- b. Taking corrective actions
- c. Analysing deviations
- d. None of the above

(iv) Name the technique which Manoj is talking about.

- a. Management by exception
- b. Span of management
- c. Critical point control
- d. Analysing deviations

Q 8. Read the following case and answer the questions on the basis of the same:

R & R Company is a large manufacturing unit. Recently the company had conducted time and

motion studies and concluded that on an average, a worker could produce 500 units per day.

However, it has been noticed that average daily production of a worker is in the range of 400-430 units.

(i) Identify the step in the process of controlling which helped in finding out that the actual production of worker is less than the set target.

(ii) To complete the process of the function identify in point (i) and to ensure the performance as per time and motion studies, identify and explain what further step a manager has to take.

### Very Short Answer Type Questions

Q 9. Controlling is dependent on a function of management. Identify that function.

Q 10. Which principle of management control is based on the belief that an attempt to control everything results in controlling nothing?

Q 11. When does the need for taking corrective action arise?

### Short Answer Type-I Questions

Q 12. Explain how management by exception helps in the controlling process?

Q 13. "Planning is looking ahead and controlling is looking back." Comment.

### Short Answer Type-II Questions

Q 14. Mr Raman is the 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.

(i) Describe any two features of controlling highlighted in the above situation.

(ii) Explain any two points of importance of controlling.

Q 15. Which term is used to indicate the difference between standard performance and actual performance? Explain it.

### Long Answer Type Questions

Q 16. Explain the features of controlling.

Q 17. "Controlling helps in achieving objectives of the organisation and improving employee's morale." Explain.