

CLASS 12 BUSINESS STUDIES
CHAPTER-8
CONTROLLING

IMPORTANT QUESTIONS

VERY SHORT ANSWER QUESTIONS (1 or 2 Marks)

QUESTION 1.

Hina Sweets is a renowned name for quality sweets since 1935. Harsh the owner of Hina Sweets was worried as the sales had declined during the last three months. When he enquired from the Sales Manager, the Sales Manager reported that there were some complaints about the quality of sweets. Therefore, Harsh ordered for sample checking of sweets. Identify the step taken by Harsh that is related to one of the functions of management.

(CBSE BOARD 2017)

Answer. The step that is being performed by Harsh is Measurement of Actual Performance under the controlling function of management.

QUESTION 2.

What is the formula of Return on Investment.

Answer.
$$\frac{\text{Net Profit}}{\text{Total investment}}$$

QUESTION 3.

What do you understand by key KRAs result areas?

Answer. The areas which are critical to the success of an organization.

QUESTION 4.

What should be done while 'taking corrective action' in process of controlling, when especially in the important areas deviations go beyond the acceptable range?

Answer. When deviations in important areas go beyond the acceptable range, immediate managerial attention is required. In this regard, a manager can train, educate and develop

employees so that deviations can be controlled. This will lead to no or minimum level of deviations.

QUESTION 5.

Why planning is an empty exercise without controlling function?

Answer. Planning is an empty exercise without controlling because implementation of plans and monitoring of plan depend upon controlling.

QUESTION 6.

Which two steps in the process of controlling are concerned with compelling events to conform to plan?

Answer.

- a) Comparison of actual performance with standards.
 - b) Taking corrective actions.
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QUESTION 7.

If you want to control everything you may end up controlling.

Answer. Management by exception.

QUESTION 8.

Define Management Audit.

Answer. Management audit refers to systematic performance appraisal of the management of an organisation.

QUESTION 9.

Why is controlling considered to be a backward looking?

Answer. Controlling involves evaluation of past activities to find out deviations from standards so it is a backward looking function.

QUESTION 10.

Name two types of profitability ratios?

Answer.

- a) Gross Profit Ratio
 - b) Net Profit Ratio.
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QUESTION 11.

What do you call the sales volume at which there is no profit, No loss?

Answer. Breakeven Point (BEP).

QUESTION 12.

Give 2 examples of Corrective Action.

Answer.

- a) Provide training
 - b) Revive standards.
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QUESTION 13.

Give two examples of responsibility centers.

Answer. Cost Centre, revenue center etc.

QUESTION 14.

Marketing department comes under which type of responsibility center.

Answer. Revenue Centre.

SHORT ANSWER QUESTIONS (3 or 4 Marks)

QUESTION 15.

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

Answer :

Planning is looking ahead and controlling is looking back. This statement is partially true.

Planning is a psychological process of 'thinking and deciding in advance' about 'what is to be done' and 'how it is to be done'. It is a mental activity that includes deciding the goals and also the actions through which they are to be accomplished. Thus, it is said that planning is looking ahead as it involves predicting the future.

Controlling on the other hand, involves an assessment of the past performance and evaluating them against the set standards. In this sense, controlling is said to be a backward-looking function.

However, both these statements are only partially true. Though planning is a futuristic concept but it is based on past actions and experiences. Planning for future cannot take place without peeping into the past. Similarly, though controlling involves assessment of past performance, it also aims at improving the future performance by taking the required corrective actions. Hence, we can say that planning and controlling are backward looking as well as forward looking functions.

QUESTION 16.

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

Answer:

Budgetary control is a technique of controlling that involves preparing plans in the form of budgets. Budget refers to a financial or a quantitative statement that defines the targets to be achieved and the policies to be followed in a specific period of time. The actual performance is then compared with the budgetary standards. This comparison helps in identifying the deviations and thereby, guides in taking appropriate corrective measures. Budget can be prepared for different divisions of the organisation such as sales budget, production budget, purchase budget, etc. However, for the budgeting to be effective, future estimates must be made carefully.

Budgeting also acts as a source of motivation for the employees by setting the standards against which their performance will be assessed. Thus, it encourages them to achieve the set objectives. In addition, it is also used to facilitate coordination among different divisions/departments of the organisation. Moreover, proper budgeting ensures that resources are allocated to different divisions as per their requirements. Thereby, it helps in optimum utilisation of the resources

LONG ANSWER TYPE QUESTIONS (5 OR 6 MARKS)

QUESTION 17.

'I-phone India Ltd.' is a manufacturer of advanced category of mobile phones. The company trained its engineers from Japan. It markets its mobile phones domestically as well as internationally. The company had a substantial market share and had a loyal customer following because of quality of its i-phone. From the last financial year the company had been unable to achieve its targets because of competition in the market. The company is planning to revamp its controlling system,

(i) Identify the concepts of management involved in the above para.

(ii) State the steps of the revamped controlling process to be followed by the company to solve this problem.

(iii) Also, state any one value, which the company wants to communicate to the society.

(CBSE BOARD 2015)

Answer.

(i) Staffing and Controlling.

(ii) The two steps which must be followed by the company to solve this problem are:

(a) Analysing deviations.

(b) Taking corrective action

(iii) Value which the company wants to communicate to the society:

(a) Serving the society by providing quality products.

(b) Growth and development.

QUESTION 18.

State any five points that highlight the importance of controlling.

(CBSE BOARD 2016)

Answer. Controlling is an important and an indispensable function of management. It aims at managing the managerial actions by setting standards and identifying the deviations of actual performance as against the set standards. It also ensures optimum utilisation of resources while

taking corrective measures for the deviations. The following are the factors that highlight the importance of controlling.

- 1. Controlling helps in achieving organizational goals:** The controlling function measures progress towards the organizational goals and indicates deviations if any to take corrective action.
 - 2. Judging accuracy of standards:** An efficient control system enables management to verify whether the standards set are accurate or not by carefully checking the changes taking place in an organizational environment.
 - 3. Making efficient use of resources:** Efficient utilization of resources through controlling process enables a manager to reduce wastage of resources.
 - 4. Improving employees motivation:** An efficient control system ensures that employees know well in advance what they are expected to do & also the standards of performance. It thus motivates & helps them to give better performance.
 - 5. Ensuring order and discipline:** Controlling function creates an atmosphere of order and discipline in the organization by keeping a close check on the activities of its employees.
 - 6. Facilitating Coordination in action:** Predetermined standards are set for governing each department and employee in an organisation.
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QUESTION 19.

Describe briefly the relationship between controlling and planning.

(CBSE BOARD 2017)

Or

'Planning and Controlling are inseparable twins of management.' How?

Answer. Planning and controlling are closely interrelated functions of management. On one hand, Planning refers to the psychological process of thinking and deciding about what is to be done and how it is to be done. That is, 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 in accordance with the standards and taking corrective measures, if there are any deficiencies. These standards that form the basis of controlling are provided by planning. The various objectives and policies as formulated under planning serve as standards against which the actual performance is evaluated. Controlling without planning is meaningless. If there are no standards, no objectives, there is nothing to control. That is, if the managers do not know what the final objective is, they do not have any standard against which they can judge the current performance and deficiencies. Similarly, planning without controlling holds no



meaning. Once the plans are formulated, it becomes necessary to monitor and evaluate whether the performance is as per the desired plans. If there is no controlling, planning cannot be accomplished. Thereby, planning without controlling is of no use. Thus, it can be said that both planning and controlling complement each other.

Both the concepts of planning and controlling are interlinked in a way as they are forward looking as well as backward looking. Though it is said often that planning is looking forward and controlling is looking backward, however, the statement is only partially true. Though planning is a futuristic concept dealing with preparing plans and setting standards in advance, it is also based on past experiences and actions initiated in the controlling function. Thus, planning besides being forward looking, is backward looking as well. Similarly, although controlling is based on the past actions and deals with comparing the current actions with the pre-defined standards, it also focuses on taking the corrective actions to improve the future performance of the management. Thus, controlling besides looking back also looks forward.

Hence, while on one hand, planning is a prerequisite for controlling, on the other hand, controlling is incomplete without planning. Both are inseparable functions that support each other towards the achievement of the goals of the organisation.

QUESTION 20.

A company was manufacturing solar panels for charging of mobiles, which were in great demand. It was found that the largest of producing 500 solar panels a day was not being met by the employees. On analysis it was found that the workers were not at fault. Due to non-availability of raw materials and shortage of workers, the company was not able to achieve the set targets and alternative arrangements were needed. To meet the increased demand the company assessed that approximately 66 additional workers were required out of which 6 would work as heads of different department and 10 would work as subordinates under each head. The required qualifications and job specifications were also enlisted. It was also decided that necessary relaxation should be given to encourage women, persons from backward and rural areas and persons with special abilities to assume responsible positions in the organisation. All efforts were made to match the ability of the applicants with the nature of work.

- a. Identify the functions of management discussed above.
- b. State the two steps in the process of each function discussed in the above para.
- c. List any two values which the company wants to communicate to the society.

(CBSE BOARD 2015)

Answer

a. The functions of management discussed above are staffing and controlling.

Quote for 'staffing': To meet the increased demand the company assessed that approximately 66 additional workers were required out of which six would work as heads of different department and 10 would work as subordinates under each head.



Quote for 'controlling': It was found that the largest of producing 500 solar panels a day was not being met by the employees. On analysis it was found that the workers were not at fault. Due to non-availability of raw materials and shortage of workers, the company was not able to achieve the set targets and alternative arrangements were needed.

b. Steps in Staffing Function

i. Estimation of Required Manpower: As a first step, the number of persons and the kind of persons required in the organisation must be estimated properly.

It involves the following two steps:

1) Workload Analysis: It refers to the number of persons and the kind of persons required in an organisation.

2) Workforce Analysis: It refers to estimating the existing number of persons in the organisation.

ii. Recruitment/Searching: It refers to searching for prospective candidates and convincing them to apply for job vacancies. For the recruitment process, internal sources (transfers and promotions) and external sources (advertising and placement agencies) can be used.

Steps in Controlling Function

i. Comparing Performance: After the actual performance is measured, it can be compared with the pre-defined standards. This helps in assessing whether there are any deviations/deficiencies in performance. Accordingly, it helps in identifying the required corrective actions to be taken.

ii. Analysing Deviation: With the comparison of the actual performance with the set standards, deviations in performance are identified.

c. Values which the company wants to communicate to society:

i. Use of environment-friendly methods of production

ii. Women empowerment

QUESTION 21.

Explain the various steps in the process of controlling

Answer:

Controlling refers to the process of evaluation and assessment of the work done. Under the process of controlling, standards are set for various tasks and activities. Accordingly, the various tasks and activities are evaluated against the set standards.

Steps involved in the controlling process:

i. Setting Standards: The first step is setting Standards are the criteria against which actual performance can be measured. The standards can be in both qualitative terms and quantitative terms. It must be kept in mind that the set standards should facilitate easy comparison.

ii. Measuring Actual Performance: The next step in the controlling process is to measure the performance of various activities. For this, various techniques can be used such as personal observation and performance reports. This measurement should be exact and reliable such that it facilitates easy comparison with the set standards. Moreover, the measurement of performance can be at various stages in the activity or at the completion of the activity.

iii. Comparing Performance: This step involves comparison of actual performance with the standard. Comparison will reveal the deviation between actual and desired performance. If the performance matches the standards, it may be assumed that everything is under control. Accordingly, it helps in identifying the required corrective actions to be taken.

iv. Analysing Deviation: With the comparison of the actual performance with the set standards, the deviations in performance are identified. For analysing deviations, the following methods can be used:

(a) Critical Point Control: Control should focus on key result areas (KRAs) which are critical to the success of an organisation. These KRAs are set as the critical points.

(b) Management by Exception: Management by exception is often called as control by exception, is an important principle of management control, based on the belief that an attempt to control everything results in controlling nothing. In short, everything cannot be controlled at the same time.

Deviations should be identified and their causes must be recognised. Some causes for deviations can be infeasible standards, deficiencies in process and dynamic business environment.

v. Taking Corrective Action: In case deviations are beyond the acceptable range, it becomes necessary to take corrective action. It must be ensured that the deviations do not occur again. No corrective action is required when the deviation are within the acceptable limits.
