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Class 12 commerce Sub. BST. Date 3.9.2020

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CONTROLLING

Question 1:

An efficient control system helps in

- (a) Accomplishes organisational objectives
- (b) Boosts employee morale
- (c) Judges accuracy of standards
- (d) All of the above

ANSWER:

An efficient controlling system helps in achieving all the aforementioned objectives. Controlling refers to the process of assessing the progress of the current tasks and activities and setting the work standards to achieve the goals of the organisation. An efficient control system helps in keeping a close watch on the progress of the work towards the accomplishment of the organisational goals and takes the required corrective actions. It helps in tracking the changes taking place in the organisation and the business environment and thereby, helps in judging the accuracy of the standards set. Along with this, controlling boosts employee morale by telling them in advance about what is expected from them and motivating them to work according to the set policies.

Question 2:

Controlling function of an organisation is

- (a) Forward looking
- (b) Backward looking
- (c) Forward as well as backward looking
- (d) None of the above

ANSWER:

Controlling as an essential part of management is forward as well as backward looking. It is a backward looking function in the sense that it assesses the work done and analyses deviations from the set standards. Based on these deviations it attempts to take the required corrective measures. Thus, it guides the future course of action and aims at improving the future performance. In this sense, it is also a forward looking function. Hence, we can say that controlling is forward as well as backward looking function.

Question 3:

Management audit is a technique to keep a check on the performance of

- (a) Company
- (b) Management of the company
- (c) Shareholders
- (d) Customers

ANSWER:

Management audit implies a systematic assessment of the overall actions of the management of a company. It aims at evaluating the efficiency and effectiveness of the management and helps in identifying the areas where it lags behind. It reveals the deficiencies in performance and helps in taking corrective measures. Hence, management audit keeps a check on the overall performance of the management of the company.

Question 4:

Budgetary control requires the preparation of

- (a) Training schedule
- (b) Budgets
- (c) Network diagram
- (d) Responsibility centres

ANSWER:

Budgetary control technique of managerial control involves the preparation of budgets for each operation of the organisation and then comparing the realised results with the budgetary standards.

A budget is a quantitative statement defining the objectives to be achieved in a specified time period and the policies to be followed.

Question 5:

Which of the following is not applicable to responsibility accounting?

- (a) Investment centre
- (b) Accounting centre
- (c) Profit centre
- (d) Cost centre

ANSWER:

Accounting centre is not a part of responsibility accounting. Responsibility accounting basically refers to a system in which different divisions of the organisation are established as responsibility centres. Herein, each department is given a set target and the head of the department (manager) is made responsible for achieving it. They are of different types of responsibility centres such as cost centre, investment centre, profit centre and revenue centre.

Question 1:

Explain the meaning of controlling.

ANSWER:

Controlling refers to the function of evaluating and assessing the progress of the work done. It involves setting a specific criteria or standards for the work and then comparing the actual work with the set standards. It helps in finding the deviations from the set targets and thereby, take the required corrective actions. It ensures that everything goes as per the plans adopted. It also ensures full and efficient utilisation of resources. Controlling is an imperative managerial function as it keeps a close check on the progress of work and thereby, forms the basis for future actions and planning.

Question 2:

'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 3:

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

ANSWER:

The statement, 'an effort to control everything may end up in controlling nothing' is in regard with the principle of 'Management by Exception'. It stresses on the fact that everything cannot be effectively controlled. According to this principle, rather than controlling each and every deviation in performance, an acceptable limit of deviations in various activities should be set and only those deviations that go beyond the acceptable range should be brought to the notice of the managers for control. In other words, only the major deviations which are beyond permissible limit should be acknowledged. For instance, suppose the acceptable range of increase in the input cost is set at 3 percent. In this case, only a more than 3% increase in the input cost (say 7%) should be brought to the notice of the managers. On the other hand, a less than 3% increase (say 1%) should be neglected. Hence, an effort should be there to control only the major things instead of trying to control everything.

Question 4:

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.

Question 5:

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

ANSWER:

Management audit refers to the extensive and constructive appraisal of the overall performance of the management of an organisation. It aims at improving the overall effectiveness and efficiency of the management. It evaluates all the functions performed by the managers and helps in identifying the deficiencies in the work performance. The effectiveness of management audit for controlling can be judged from the following points.

i. Identification of Deficiencies: Management audit helps in recognising the current as well as probable deficiencies in the performances. Thereby, it helps in taking the necessary corrective measures.

ii. Improves Efficiency: Through management audit, various activities of the management can be continuously monitored. Thereby, it helps in improving the overall efficiency of the management.

iii. Enhances Coordination: It improves the coordination between employees as well as within the different functions of the organisation as it continuously oversees the work.

iv. Adapting to Environmental Changes: It helps the organisation to adapt to the environmental changes appropriately. This is done by ensuring that the managerial policies and strategies are up-to-date.
