

**CBSE Test Paper - 01**  
**Chapter - 8 Controlling**

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1. Budgetary control requires the preparation of **(1)**
  - a. Responsibility centres
  - b. Budgets
  - c. Network diagram
  - d. Training schedule
2. Controlling is blind without \_\_\_\_\_ **(1)**
  - a. Planning
  - b. Staffing
  - c. Capital market
  - d. Budgeting
3. Controlling is \_\_\_\_\_ aspect of management **(1)**
  - a. Mental
  - b. Practical
  - c. Theoretical
  - d. Physical
4. What will be the corrective action for defective material? **(1)**
  - a. None of these
  - b. Change in Quantity
  - c. Change in Quality Specifications of the material used
  - d. Change in Price
5. What corrective action should be taken in case deviations are caused due to defective machinery? **(1)**
6. What is important while analyzing deviations in controlling? **(1)**
7. Name the concept which suggests that only significant deviations which go beyond

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the permissible limit should be brought to the notice of management. **(1)**

8. 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'. **(1)**
9. Why it is said that controlling is blind without planning? **(3)**
10. K&K Co. Ltd. is engaged in manufacturing of machine components. The target of production is 200 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 150-170 units. Identify the possible causes for the decline in production and the steps to be taken to achieve the desired targets. **(3)**
11. Explain briefly the relationship between controlling and planning. **(4)**
12. “There is a close and reciprocal relationship between planning and controlling.” Explain the statement. **(4)**
13. If planning is done carefully and accordingly other functions of management are going in the right direction, then there is no need for the controlling function of management”. Do you agree with the statement? Give any two reasons in support of your answer. **(5)**
14. “In the absence of a managerial function, planning goes unchecked“. Name the function and explain its importance. **(5)**
15. Explain the importance of controlling in an organization. What are the problems faced by the organization in implementing an effective control system? **(6)**

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**Answer**

1. b. Budgets

**Explanation:**

To audit means comparing the performance with the standards set, thus it is important to set budget - that is set standards in terms of achievables, eg. in sales budget - no. of units to be sold by the salesman is to be budgetted, so that it facilitates measuring the variance of performance.

2. a. Planning

**Explanation:**

Setting performance standards through the process of planning forms the first function of management control. Work plan or finance plan or strategic plan gives a direction for performance and audit. Thus, without laying down work plan it would be like working without a foresight of the path that has to be undertaken.

3. b. Practical

**Explanation:**

As controlling is the doing function of management activity, that is comparing the executed work with the planned work and measuring the difference and communicating the difference with the performer, it is a practical job. It is neither physical nor a thought of mind and not a theory proposed.

4. c. Change in Quality Specifications of the material used

**Explanation:**

As the material used is defective the quality of the end product would also be defective. Thus, the corrective action to be taken by the materials management department or the stores manager is to check the quality of the material purchased and change the quality specifications of the material used.

5. Replacement or repairing the machinery can be a corrective action if it is causing deviations in the set targets.

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6. While identifying deviations it is important to focus more on important areas which can affect an organizations main objectives.
  7. The concept Management by Exception(MBE) Says that the Managers should focus on Key Areas only.
  8. 'Time to be spent' comes under quantitative standards.
  9. In the absence of controlling, actual performance will not be measured and compared. So, how far plans are implemented cannot be known.
  10. The possible causes for decline in production are-
    1. There may be some defect in machinery by which the components are produced.
    2. Employees are not performing efficiently.
    3. Sometimes employees may become lethargic.The company can take the following steps to achieve the desired targets-
    1. Company can replace the machinery or get repaired, if fault is in machine.
    2. If employees are not performing efficiently, the company can give training to employees.
    3. If employees are becoming lethargic, the company needs to keep a close supervision on their employees.
  11. The relationship between planning and controlling is stated in the points below:
    - i. Planning provides the basis for controlling activities.
    - ii. Controlling ensures that planned goals are achieved efficiently and effectively. It measures the performance with the predetermined standards and finds out the deviations if any.
    - iii. The causes of deviation as identified by controlling are the basis of effective future planning.
    - iv. Planning and controlling both are forward-looking and backward-looking.
    - v. Both are integral parts of an organisation and are necessary for the smooth functioning of an enterprise.
    - vi. Planning proceeds controlling and controlling succeeds planning.
    - vii. The process of planning and controlling works on Systems Approach which is "Planning → Results → Corrective Action".

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12. Planning is the basis for control in the sense that it provides the entire spectrum on which control function is based. In fact, these two terms are often used together in the designation of the department which carries production, planning and scheduling. Control measures the behaviour and activities in the organisation suggest measures to remove deviations, if any.

Control is the result of particular plans, goals and policies. Thus, planning offers and affects control. Also, planning is affected by control in the sense that many of the information provided by control is used for planning. Thus, there is a reciprocal relationship between planning and controlling.

13. Planning and controlling both are necessary to achieve the organizational objectives. Controlling is important because of the following reasons:

- i. **Accomplishing organizational goals:** Controlling plays an important role in the achievement of organizational goals. Organizational goals can be achieved only if all activities are going according to the plan. Through controlling managers ensure that all activities are taking place according to the plan and also measure that an organization is progressing towards its goals. If there is any deviation, they take corrective action. In this way, controlling is helpful in achieving the goals of the organisation.
- ii. **Judging accuracy of standards:** While performing the function of controlling, a manager compares the actual work performance with the standards. He tries to find out whether the laid down standards are not more or less than the general standards. In case of need, they are redefined.

14. Controlling is the function which is being mentioned in the statement.

Importance of controlling are :

1. **Accomplishing organizational goals:** The process of controlling helps in accomplishing organizational goals or objectives. The controlling guides the activities of subordinates in achieving the goals. It ensures the use of human and material resources in the best possible manner so that there may be predetermined objectives of the organization.
2. **Judging accuracy of the standards:** A manager compares the actual work

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performance with the standards while performing the function of controlling. He tries to find out whether the accuracy of the standards is not more or less than the general standards. In case of the needs, they are redefined.

3. **Improves efficiency:** The organization sets the goal for future which is not certain. So, controlling is the way which focuses on uncertainty and to attain the goals. Regular control shows the deviation in plan and actual achievement which helps to keep the staffs on the right track.
4. **Improve employee motivation:** Motivation is defined as the process of inspiring someone for doing something. Controlling makes all the employees to work with complete dedication as they know that their work performance will be evaluated. Their identity will be established if the progress report is satisfactory in the organization.
5. **Ensuring order and discipline:** The implementation of controlling help to check all the undesirable activities like theft, corruption, delay in work and uncooperative attitude. Controlling ensures order and discipline, Ensuring order and discipline is also one of the importance of controlling.

15. **Importance of controlling are:**

- i. **Accomplishing organizational goals:** The controlling process is implemented to take care of the plans. With the help of controlling, deviations are immediately detected and corrective action is taken. Therefore, the difference between the expected results and the actual results is reduced to the minimum. In this way, controlling is helpful in achieving the goals of the organisation.
- ii. **Judging accuracy of standards:** While performing the function of controlling, a manager compares the actual work performance with the standards. He tries to find out whether the laid down standards are not more or less than the general standards. In case of need, they are redefined
- iii. **Making efficient use of resources:** Controlling plays an important role in reducing the wastage and spoilage of resources and ensures that resources of an organization i.e. Technical, human, financial resources etc., are being used effectively and efficiently for the achievement of predetermined goals.
- iv. **Improving employee motivation:** A good control system communicates the goals and standards to employees well in advance. An effective control helps in

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removing the weaknesses of the employees so that they can contribute to the best of their efforts. It motivates them and helps them to give better performance.

- v. **Ensuring order and discipline:** Controlling ensures order and discipline. With its implementation, all the undesirable activities like theft, corruption, delay in work and uncooperative attitude are checked.
- vi. **Facilitating coordination in action:** Controlling provides direction to all activities and efforts for achieving organizational goals. It facilitates coordination between different departments by laying down standards of performance. All departments are governed by the pre-determined standards which are well coordinated with one another. This ensures that overall organizational objectives are achieved.

**Problems faced by the organization in implementing an effective control system are :**

- i. **Difficulty in setting quantitative standards:** Controlling fails in setting quantitative standards. The controlling function becomes less effective when standards cannot be defined in quantitative terms.
- ii. **Little control over external factors:** External factors like government policies, technological changes and competition etc., cannot be controlled by controlling.
- iii. **Resistance from employees:** Employees think that control is a restriction on their freedom. For example, they do not like to be observed through CCTV.
- iv. **Costly affair:** Controlling is costly and time-consuming. Managers must ensure that the cost of controlling should not exceed the benefits derived from it.