

Chapter 8 – Controlling

Question 1

What is the formula of Return on Investment?

Answer: The formula of Return on Investment is. $\text{Return on Investment} = \frac{\text{Net Income}}{\text{Cost of Investment}}$

Question 2

Why is planning an empty exercise without controlling function?

Answer: Planning is an empty exercise without controlling function because monitoring and implementing of the plan is based on the controlling.

Question 3

‘Planning is looking forward and controlling is looking back’.Comment

Answer:

Planning It is the first step on deciding what to do, how, where and when a specific work has to be done. It is an activity where a goal and how to accomplish that goal is decided. Whereas, Controlling involves evaluation of performance that matches the standard of the organisation.

It is the primary goal and responsibilities of all management in any enterprises. However, the statement ‘Planning is looking forward and controlling is looking back’ is partially right because, though planning is done for the future, the foundation of planning is based on the past experiences and activities.

On the other hands, though controlling includes past assessment, it aims in enhancing future performance by taking correct steps and measures.

Question 4

Write a short summary of budgetary control as a method of managerial control.

Answer: Budgeting Control is a management operation that monitors budget, control cost, and service in a given accounting year. It helps the management to set a regulate performance and financial goal and helps the company get the desired results. It’s a procedure, in which company functions are outlined in advance, and compared with the real effect later to see if the desired results are acquired or not.

This comparison helps the company to identify the variation and take appropriate action according. A company’s different budget is prepared and controlled. However, for effective budgeting, future planning has to be done wisely. It also operates as a root of motivation for the employee by establishing a standard against which their achievement will be evaluated. Therefore, it encourages them to achieve set goals efficiently.

Budgeting also helps to allocate the budget to all the departments or unit according to their need and requirement.

Question 5

State the five points that highlight the importance of controlling

Answer: Controlling is an important function of management. It controls the managerial action by setting a standard and evaluating the variation of actual performance against the established norm. Below mentioned are the few factors that highlight the importance of control.

- **Helps in accomplishing company goals-** The controlling function of a company evaluates the progress towards a company's goal and identifies if there is any variation that has to be corrected
- **Assessing the accuracy of standard-** The control system facilitates the management to check if the established structured by the company are accurate or not by monitoring the changes taking place in the company.
- **Making efficient use of resources-** This controlling process helps the management to reduce the wastage of resources.
- **Ensuring order and discipline-** Controlling function generates an atmosphere of order and discipline in the company by keeping a check on the activities of its employees.
- **Improving employees motivation-** An effective controlling makes sure that the employees are informed about all the plans in advance and what is expected from them. This will keep them motivated to give the best performance.

Question 6

Samsung is a producer of an advanced phone. The firm qualified its engineer from Japan. They trade their mobile phone internationally and domestically. Samsung had a strong market share and loyal buyers because of its quality. From the first financial year, the firm has been inadequate to accomplish its objective because of the conflict in the market.

The company is planning to renovate its controlling system. (i) Name the theory of management in the above para (ii) Mention the steps of the renovated controlling process to be developed by the firm to solve this problem (iii) Also, mention anyone value, Which the company wants to communicate to the society

Answer:

(i) Controlling and Staffing (ii) The two steps are:

- Analysing variation
- Taking appropriate action

(iii) The one value the company wants to communicate to the society is

- Serving society by presenting a quality product.