

CUET · BUSINESS STUDIES · CLASS XII · CODE 305

Controlling

CUET unit: Controlling

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Snapshot

- Controlling is the management function that ensures activities conform to plans and resources are used effectively and efficiently to achieve predetermined goals.
- It is a goal-oriented, pervasive function performed by managers at all levels and across all kinds of organisations (business, hospital, military, school, club).
- The controlling process has five steps (setting standards, measuring performance, comparison, analysing deviations, taking corrective action) and links back to planning.
- CUET regularly tests the importance, limitations, planning-controlling relationship, and the five-step process — especially the principles of critical point control and management by exception.

Detailed Notes

2.1 Core concepts

- **Meaning:** Controlling means ensuring that activities in an organisation are performed as per plans, and that resources are used effectively and efficiently for the achievement of predetermined goals; it is a goal-oriented function (NCERT §Meaning of Controlling, p. 201–202).
- **Koontz and O'Donnel definition:** Managerial control implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans (NCERT §Meaning, p. 202).
- **Pervasive function:** Controlling is a primary function of every manager — top, middle and lower levels — and applies to educational institutions, military, hospitals and clubs as much as to business organisations (NCERT §Meaning, p. 202).
- **Not the last function:** Controlling brings the management cycle back to planning by finding deviations, analysing causes, taking corrective action, and helping formulate future plans (NCERT §Meaning, p. 202).
- **Importance — Accomplishing organisational goals:** Controlling measures progress towards goals, brings deviations to light and indicates corrective action, keeping the organisation on track (NCERT §Importance, p. 202).
- **Importance — Judging accuracy of standards:** A good control system enables management to verify whether standards set are accurate and objective, and helps

review/revise them in light of internal and environmental changes (NCERT §Importance, p. 202).

- **Importance — Making efficient use of resources:** By exercising control, a manager reduces wastage and spoilage; each activity is performed per predetermined standards and norms (NCERT §Importance, p. 203).
- **Importance — Improving employee motivation:** Employees know in advance what is expected of them and the standards on which they will be appraised, which motivates them to give better performance (NCERT §Importance, p. 203).
- **Importance — Ensuring order and discipline:** Controlling creates an atmosphere of order and discipline and minimises dishonest behaviour by keeping a close check on activities (the import-export company computer-monitoring example) (NCERT §Importance, p. 203).
- **Importance — Facilitating coordination in action:** Controlling provides direction; each department and employee is governed by predetermined standards well-coordinated with one another, ensuring overall objectives are met (NCERT §Importance, p. 203).
- **Limitations — Difficulty in setting quantitative standards:** Control loses effectiveness when standards cannot be defined in quantitative terms — e.g., employee morale, job satisfaction and human behaviour (NCERT §Limitations, p. 203–204).
- **Limitations — Little control on external factors:** An enterprise generally cannot control external factors such as government policies, technological changes and competition (NCERT §Limitations, p. 204).
- **Limitations — Resistance from employees:** Control is often resisted as employees see it as a restriction on their freedom, e.g., when kept under CCTV watch (NCERT §Limitations, p. 204).
- **Limitations — Costly affair:** Control involves expenditure, time and effort; small enterprises cannot afford expensive systems, and costs of installing/operating must not exceed benefits derived (NCERT §Limitations, p. 204).
- **Planning–Controlling relationship:** They are inseparable twins; planning provides standards, controlling monitors deviations. Planning without controlling is meaningless; controlling is blind without planning (NCERT §Relationship, p. 205).
- **Prescriptive vs evaluative:** Planning is an intellectual, prescriptive process; controlling is evaluative — it checks whether decisions have been translated into desired action (NCERT §Relationship, p. 205).
- **Backward and forward looking:** Planning is forward-looking; controlling is like a postmortem of past activities — but planning is guided by past experience and corrective action aims at improving future performance, so both are backward- and forward-looking (NCERT §Relationship, p. 205).

- **Process Step 1 — Setting performance standards:** Standards are benchmarks/ criteria against which actual performance is measured. Quantitative standards (cost, revenue, units produced and sold, time); qualitative standards (improving goodwill, motivation level). Standards should be precise, quantitative where possible, and flexible to modify with changes in environment (NCERT §Controlling Process, p. 205–206).
- **Process Step 2 — Measurement of actual performance:** Measured objectively and reliably using techniques such as personal observation, sample checking, performance reports; in same units as standards. May involve ratios (gross profit, net profit, ROI), units sold, market share, defective pieces; measurement done during or after performance (NCERT §Step 2, p. 206–207).
- **Process Step 3 — Comparison with standards:** Comparison reveals deviations; comparison is easier when standards are quantitative — e.g., worker's weekly output vs standard weekly output (NCERT §Step 3, p. 207).
- **Process Step 4 — Analysing deviations:** Determine acceptable range; deviations in key areas need urgent attention. Use **Critical Point Control** (focus on KRAs critical to success — e.g., 5% increase in labour cost is more troublesome than 15% in postal charges) and **Management by Exception** (control by exception — trying to control everything controls nothing; only significant deviations beyond permissible limit are brought to management's notice — e.g., labour cost beyond 2% acceptable range) (NCERT §Step 4, p. 207–208).
- **Causes of deviations:** Unrealistic standards, defective process, inadequacy of resources, structural drawbacks, organisational constraints and environmental factors beyond the control of the organisation (NCERT §Step 4, p. 208–209).
- **Process Step 5 — Taking corrective action:** No action when deviations are within acceptable limits; when beyond, immediate managerial attention is needed. Examples: training employees if production target missed; assigning additional workers/equipment and overtime if a project is behind schedule; revising standards if deviation cannot be corrected through managerial action (NCERT §Step 5, p. 209).
- **Advantages of critical point control and management by exception:** Saves time/effort of managers, focuses managerial attention on important areas (better use of talent), facilitates delegation of authority and increases employee morale by leaving routine to subordinates, identifies critical problems needing timely action (NCERT §Advantages box, p. 208).

NCERT §Relationship between Planning and Controlling (p. 205) goes further to insist that controlling and planning are inseparable twins. Planning is the prescriptive, intellectual process that sets out what should be done; controlling is the evaluative process that checks whether what was planned was actually done. Both functions are simultaneously forward- and backward-looking — planning is informed by past experience, and controlling looks ahead by feeding corrective action into the next planning cycle. The widely-quoted line — "planning without controlling is meaningless

and controlling is blind without planning" — captures this interdependence, and is a CUET evergreen for assertion-reason items.

On **scope**: controlling is a primary function of every manager at every level, and applies as much to a school, hospital, military unit or club as to a business firm (NCERT §Meaning, p. 202). The "pervasive" attribute of controlling is one of the most frequently tested factual one-liners, especially when paired with planning's "all-pervasive" feature. The Koontz and O'Donnel definition — "Managerial control implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans" — is the canonical authoritative quote CUET examiners ask the student to recognise.

2.2 Definitions to memorise

Term	Definition	Page
Controlling	Ensuring that activities in an organisation are performed as per plans and resources are used effectively and efficiently for predetermined goals; a goal-oriented function.	202
Managerial Control (Koontz & O'Donnel)	Measurement of accomplishment against the standard and correction of deviations to assure attainment of objectives according to plans.	202
Standards	Criteria/benchmarks against which actual performance is measured.	205–206
Quantitative standards	Standards set in measurable numerical terms — cost, revenue, units produced/sold, time spent.	206
Qualitative standards	Standards set in non-numerical terms — improving goodwill, motivation level of employees.	206
Critical Point Control	Focusing control on Key Result Areas (KRAs) critical to the success of the organisation.	208
Management by Exception	"Control by exception" — only significant deviations beyond the permissible limit are brought to management's notice; attempting to control everything controls nothing.	208
Deviation	The difference between actual performance and standard performance (revealed by comparison).	207
Goal-oriented function	Controlling — ensures achievement of predetermined goals.	202
Pervasive function	Controlling — performed at every level by every manager.	202
Order and discipline	Sixth importance of controlling — atmosphere created by close monitoring of activities.	203
Coordination in action	Importance of controlling — each department governed by predetermined standards coordinated with others.	203

Term	Definition	Page
Difficulty in quantitative standards	Limitation — control loses effectiveness for morale, satisfaction, behaviour.	203-204
External factors limitation	Enterprise has little control over government policies, technology, competition.	204
Resistance from employees	Limitation — control seen as restriction on freedom (CCTV example).	204
Costly affair	Limitation — control involves expenditure of time, money and effort.	204
Prescriptive (planning)	Planning is intellectual and prescribes action.	205
Evaluative (controlling)	Controlling checks whether decisions were translated into action.	205
Forward-looking + Backward-looking	Both planning and controlling have past-and-future orientation.	205
KRA	Key Result Area — area critical to organisational success on which control should focus.	208
Permissible limit	Acceptable range of deviation; beyond this, management by exception triggers review.	208
Setting standards	Step 1 of controlling process — defining benchmarks.	205-206
Measurement of performance	Step 2 — measuring actual results objectively using observation, samples, reports.	206-207
Comparison	Step 3 — comparing actual with standards to reveal deviations.	207
Analysing deviations	Step 4 — identifying causes (unrealistic standards, defective process, resource gaps, structural issues).	208-209
Corrective action	Step 5 — managerial action to bring performance back on track (training, adding resources, revising standards).	209

2.3 Diagrams / processes to remember

- **Five-step Controlling Process:** Setting performance standards → Measurement of actual performance → Comparison of actual performance with standards → Analysing deviations → Taking corrective action (NCERT p. 205–209).
- **Standards used in Functional Areas table (p. 207):** Production (Quantity, Quality, Cost, Individual job performance); Marketing (Sales volume, Sales expense, Advertising expenditures, Individual salesperson's performance); Human Resource Management (Labour relations, Labour turnover, Labour absenteeism); Finance and Accounting (Capital expenditures, Inventories, Flow of capital, Liquidity).

- **Advantages of Critical Point Control & Management by Exception box (p. 208):** 4-point list — saves time/effort, focuses attention, facilitates delegation/morale, identifies critical problems.
- **Control Through Computer Monitoring box (p. 203):** New York City import-export case illustrating control via secret keystroke-logging software.

2.4 Common confusions / NTA trap points

- "Controlling is the last function of management" — NCERT explicitly says it is **not** the last function; it brings the cycle back to planning (p. 202).
- Planning vs Controlling — planning is **prescriptive** (intellectual, prescribes action), controlling is **evaluative** (checks whether decisions were translated into action); planning is forward-looking, controlling is largely backward-looking but both are forward and backward looking (p. 205).
- Critical Point Control vs Management by Exception — easy to mix up. Critical Point = choose which points (KRAs) to monitor; Management by Exception = once monitored, act only on deviations beyond the permissible limit (p. 207–208).
- The 5%-vs-15% example — 5% labour cost rise is **more** troublesome than a 15% postal-charges rise (because labour is a KRA). NTA may flip the percentages or the comparison direction.
- Qualitative standards (goodwill, motivation) are part of standard-setting too — students often think only quantitative standards exist; NCERT clearly mentions qualitative standards (p. 206).
- **External factors limitation** — controlling has little impact on external factors like government policies, technological changes and competition. CUET item-writers may suggest control can manage these — false.
- **Resistance from employees** — control is resisted as restriction on freedom (CCTV example). NCERT lists this as a real limitation; students often miss it.
- **Six importance vs four limitations** — distinct lists; do not conflate.
- **Standards in functional areas** — production (quantity, quality, cost); marketing (sales volume, sales expense); HRM (labour turnover, absenteeism); finance (capex, inventories, liquidity). Each area has its own standards.

2.5 Case examples

- **CCTV / computer monitoring at New York City import-export firm (NCERT box, p. 203)** — NCERT's named case of control through computer monitoring. Secret keystroke-logging software illustrates how controlling can be exercised, but also why employees resist it.
- **Maruti Suzuki production-line quality control (NCERT context, § Importance)** — Maruti's quality-circles and Six Sigma practices illustrate how control "makes efficient use of resources" by reducing wastage and spoilage at every step.

- **Indian Railways punctuality monitoring (NCERT context, § Process)** — Railways' on-time-performance measurement compares actual arrival time with standard, illustrating the comparison and deviation-analysis steps of the controlling process.
- **TCS / Infosys utilisation tracking (NCERT context, § Critical Point Control)** — IT services firms track billable utilisation hours as a KRA; a 5% drop in utilisation is more critical than a 15% increase in office stationery — the canonical "critical point control" application.
- **Reliance Industries budget variance analysis (NCERT context, § Step 4)** — Reliance's quarterly budget-actual variance reports illustrate how deviations beyond a permissible limit (management by exception) trigger management review meetings.

Practice MCQs

Q1. Controlling is best described as a function that ensures —

- A. Activities are planned for future periods
- B. Activities in an organisation are performed as per the plans
- C. Employees are recruited and trained for their roles
- D. Authority is delegated down the hierarchy

Q2. According to Koontz and O'Donnel, managerial control implies —

- A. Setting objectives and formulating plans for their attainment
- B. Measurement of accomplishment against the standard and correction of deviations to assure attainment of objectives according to plans
- C. Directing employees and motivating them to perform better
- D. Coordinating the efforts of various departments

Q3. Which of the following is NOT listed by NCERT as an importance of controlling?

- A. Accomplishing organisational goals
- B. Judging accuracy of standards
- C. Recruitment and selection of employees
- D. Improving employee motivation

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PYQ Alignment

Controlling is a high-yield unit in CUET Business Studies — typically ~8–10 MCQs per year. Questions most commonly cover the importance and limitations (one-liner recall), the five-step controlling process (statement-based and match-the-following), the planning-controlling relationship (assertion-reason), and the twin principles of critical point control and management by exception (case/example-based using NCERT's own 5%/15% and 2%/5% numerical illustrations).

CUET 2023 — Actual PYQs from this chapter

Q.18 (CUET 2023) Which among these is not a traditional method of controlling?

- A) Statistical reports B) Break-even analysis C) PERT and CPM D) Budgetary control

Tests: Traditional vs Modern Techniques of Controlling **Answer:** Not in extracted key

Q.21 (CUET 2023) Arrange the steps of controlling process in correct order: A. Setting performance standards B. Measuring actual performance C. Analysing deviations D. Taking corrective action E. Comparing actual performance with standards Options:

- A) B, A, C, D, E B) A, B, E, C, D C) A, E, B, C, D D) C, A, D, B, E **Tests:** Steps in Controlling Process — sequence **Answer:** Not in extracted key

Q.22 (CUET 2023) Techniques of controlling include: A. Ratio analysis B. PERT and CPM C. On-the-job training D. Management audit E. Off-the-job training Options:

- A) A, C, D and E only B) A, B and D only C) B, C, D and E only D) C, D and E only **Tests:** Techniques of Controlling **Answer:** Not in extracted key

CUET 2024 — Actual PYQs from this chapter

Q.16 (CUET 2024) Which of the following is not a limitation of controlling?

- A) Costly affair B) Resistance from employees C) Ensure order and discipline D) Little control on external factors **Tests:** Limitations of Controlling **Answer:** Not in extracted key

Q.17 (CUET 2024) Correct sequence of controlling process: (A) Analysing deviations (B) Measurement of actual performance (C) Setting standards (D) Comparison with standards Options:

- A) A, B, C, D B) A, C, B, D C) B, A, D, C D) C, B, D, A **Tests:** Controlling Process — sequence of steps **Answer:** Not in extracted key

Q.18 (CUET 2024) “Only a 5% increase in labour cost may be more troublesome than a 15% increase in postal charges.” Identify the concept.

- A) Deviation B) Critical point control C) Break-even analysis D) Critical path method

Tests: Critical Point Control / Management by Exception **Answer:** Not in extracted key

CUET 2025 — Actual PYQs from this chapter

Q.7 (CUET 2025) Controlling improves future _____ by providing information derived from past experience.

- A) Controlling B) Coordinating C) Communication D) Planning **Tests:** Importance of Controlling — improves future planning **Answer:** Not in extracted key

Q.9 (CUET 2025) Which function brings the management cycle back to planning?

- A) Organising B) Directing C) Controlling D) Staffing **Tests:** Controlling — completes the management cycle (back to planning) **Answer:** Not in extracted key

Q.19 (CUET 2025) __ ensures judging the accuracy of standards.

- A) Directing B) Organising C) Planning D) Controlling **Tests:** Importance of Controlling — judging accuracy of standards **Answer:** Not in extracted key

Q.29 (CUET 2025) Controlling is important for: (A) Judging accuracy of standards (B) Ensuring creativity in organisation (C) Facilitating coordination in action (D) Efficient use of resources Options:

- A) (A) and (D) only B) (A), (B) and (C) only C) (A), (C) and (D) only D) (B), (C) and (D) only **Tests:** Importance of Controlling **Answer:** Not in extracted key

Q.38 (CUET 2025) Arrange the following steps in controlling process in correct order: (A) Correcting deviations (B) Setting standards (C) Measuring performance (D) Analysing deviations Options:

- A) B, C, D, A B) C, B, D, A C) B, A, C, D D) C, D, B, A **Tests:** Controlling Process — sequence of steps **Answer:** Not in extracted key