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Quick-Revision Notes for Class 12 Business Studies

Chapter 8: Controlling

1. Controlling – One-Line Definition

Memorise This

Controlling is the management function of *ensuring that actual activities conform to planned activities*. It is the fifth and final function in Fayol's scheme and closes the loop between the plan and the action.

2. Five Features of Controlling

Memorise

Goal-oriented · **Pervasive** (every level, every dept) · **Continuous** · Both **Backward** and **Forward** looking · A managerial **Process** + **Technique**.

3. Importance of Controlling – G-S-R-M-D-C

Six Reasons Controlling Matters

1. **G**oals – accomplishes organisational goals
2. **S**tandards check – judges accuracy of standards
3. **R**esources – efficient use, less waste
4. **M**otivation – fair feedback lifts morale
5. **D**iscipline – order and accountability
6. **C**oordination – in action across departments

4. Limitations – Q-E-R-C

(i) Quantitative gap – can't measure morale, brand, climate precisely. **(ii) External factors** – govt policy, competitors, calamities are out of reach. **(iii) Resistance** – employees may police-back and fudge data. **(iv) Cost** > benefit in small firms.

5. Planning and Controlling – The Inseparable Twins

Two-Way Dependence

Plan → **Control**: no plan ⇒ no standard ⇒ no control.

Control → **Plan**: no control ⇒ no feedback ⇒ next plan no better than last.

One-liner: "Planning without controlling is wishful thinking; controlling without planning has nothing to measure."

6. Five-Step Controlling Process

Memorise the Sequence

1. Set performance standards (from the plan)
2. Measure actual performance (observation, reports, ratios)
3. Compare actual with standards ⇒ **Deviation**
4. Analyse deviations (Critical Point Control + Management by Exception)
5. Take corrective action (fix cause; revise standard if faulty; feed lessons back into the next plan)

Deviation formula: Deviation = Actual – Standard.

7. Two Must-Name Principles

Principle	What It Says
Critical Point Control	Focus on key result areas (KRAs) – the few activities critical to success.
Management by Exception	Alert manager only on significant deviations (outside the tolerance range).

CBSE Spotter

"Effort to control everything ends up controlling nothing" ⇒ **Critical Point Control**. "10-unit shortfall by one worker over 2 days" ⇒ **Management by Exception** – do not terminate, investigate.

8. Techniques of Managerial Control

Group	Techniques
Traditional (4)	Personal observation · Statistical reports · Breakeven analysis · Budgetary control
Modern (6)	ROI · Ratio analysis · Responsibility accounting · Management audit · PERT/CPM · MIS

Key formulas:

- $BEP \text{ (units)} = \text{Fixed Cost} / \text{Contribution per unit}$.
- $ROI = (\text{Net Income before interest and tax} / \text{Total Investment}) \times 100$.

9. Planning vs Controlling – Quick Compare

Basis	Planning	Controlling
Direction	Forward-looking	Backward + forward-looking
Order	First function	Last function
Input	Forecasts	Actual performance data
Output	Goals, standards	Deviation reports, corrections

10. Last-Minute Spotters (CBSE Pattern)

Map the Keyword to the Answer

- “Constant and continuous check” ⇒ **Continuous** (feature).
- “All employees / all departments” ⇒ **Pervasive** (feature).
- “Goals are achieved effectively and efficiently” ⇒ **Goal-oriented** (feature).
- “Difference between standard and actual” ⇒ **Deviation**.
- “Cannot set quantitative standards for morale / brand” ⇒ a **limitation** of controlling.
- “Planning looks ahead, controlling looks back” ⇒ *partly true* – controlling also looks forward through the feedback loop.
- “10-unit shortfall by one worker – termination requested” ⇒ **Management by Exception** – do not act on small deviations; investigate cause.

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