Tutorial Notes
Class: B.Com (Hons.**)** Semester III (CC7**)**
Subject: Management Principles & application.
Topic: Techniques of Control.
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TECHNIQUES OF CONTROL

Management is defined as art and as well as a science. Therefore, management and its functions continue to evolve over time. The control function of management also proceeds with the passing time. So let us know the traditional and modern techniques of managerial control.

Control is a fundamental managerial function. Managerial control controls organizational activities. It compares actual performance and expected organizational standards and goals. For deviations in performance between actual and expected performance, it ensures that necessary corrective action is taken.

The techniques of control can be classified into two broad categories-

1.Traditional Techniques

2. Modern Technology

Traditional technique:

Traditional technique refers to techniques that have been used for a long time by a commercial organization and are still in use. In other words, traditional techniques are those which have been used by companies for a long time.

Such techniques are:

1. Personal Overview
2. Statistical Report
3. Break-even analysis
4. Budget Control

Personal observation: Personal observation is the most traditional technique of control. It helps a manager to gather first-hand information about the performance of employees. It also creates psychological pressure on employees to improve their performance because they know they are being watched personally by the manager. However, this technique is not to be used effectively in all types of jobs as it is very time-consuming. Employees work carefully to perform better. The reason is that they are personally seen by their supervisors.

Statistical Report: Analysis of 'statistical report' is an important tool of control. Quantitative control is often used on the basis of analysis of statistical reports prepared by various managers or top executives of an organization. Analysis of statistical data in terms of average, percentage, ratio, correlation etc. is very helpful in controlling inventory, quality, and production, etc. Statistical reports are analytical documents in the form of tables, charts, graphs, etc. They provide factual data and trends that are useful for managerial control. These reports suggest whether the prescribed policies are being implemented.

Break-even analysis: The sales volume at which there is no profit, no loss is known as the breakeven point. There is neither profit nor loss. Breakeven analysis is a technique used by managers to study the relationship between cost, volume, and profits. It analyzes the overall situation and determines the overall picture of potential profit and loss at different levels of activity.
The break-even point can be calculated as:
Broken point = Fixed price/selling price per unit – Variable cost per unit

Budgetary Control: Budgetary control is the process of using budgets to compare the actual performance of a budget to remove deviations by detecting deviations and adjusting budget estimates or fixing the causes of deviations. A budget is a highly useful tool to control the day-to-day operations of the enterprise. It provides a standard by which actual performance can be evaluated to detect deviations from planned results. Budgetary control is most effective and widely used control technique.

Modern Techniques:

Modern technologies are technologies that are very new in the world of management. These techniques provide various new aspects to control the activities of an organization. These techniques provide new thinking and ways to control various aspects of an organization.
These techniques are as follows:

1. Return on investment
2. Ratio Analysis
3. Responsibility accounting

4. Management Audit
5. PERT and CPM

Return on investment: Return on investment is a useful tool to control the overall performance of an enterprise. It is also called Return on Capital Employed. The basic aspect of this technique is that the profit is not taken as a perfect figure, but rather in relation to invested capital. The rate of return is calculated by dividing the net profit by the total amount of investment.

Ratio Analysis: Each business organization has to illustrate its financial performance using reports such as balance sheets and profit and loss statements. Financial ratio analysis basically compares these financial reports to show the financial performance of a business in a numerical context. A comparative study of financial statements demonstrates parameters such as changes in assets, liabilities, capital, profits, etc. Financial ratio analysis also helps in understanding the liquidity and solvency position of a business.

Responsibility accounting: Responsibility accounting is a technique of accounting in which the performance of different employees is evaluated by how far they have applied to the predetermined goals set for departments, units, classes, or divisions. The use of responsibility accounting focuses on management by purpose rather than management by domination. Each employee is responsible for their own area of operation and effective control.

Management audit: A management audit refers to a systematic assessment of the overall performance of an organization's management. The objective is to review the efficiency and effectiveness of management and improve its performance in future periods. Its basic objective is to identify deficiencies in the performance of management tasks. It also ensures the update of existing managerial policies.

PERT & CPM: PERT (Program Evaluation and Review Technique) and CPM (Critical Path Method) are two important techniques used in both planning and control. These techniques are used to calculate the total expected time required to complete a project and it can identify the movements of obstacles that have a significant impact on the completion date of the project. Such techniques are mainly used in the fields of construction projects, aircraft manufacturing, shipbuilding etc.