So, if at any time, there is a lack of necessary support from the top management the budgetary control system may fail to deliver the expected result or adversely affect the performance.

5.7.2 Non-Budgetary Control Techniques

There are some other techniques of control, which are not based on budget. These are called non-budgetary control techniques. Some non-budgetary control techniques are discussed below –

i) **Reports :** Different special reports and records can be prepared by the experts for controlling purpose. Such special reports contain much deeper information. These are generally called investigative reports. These reports indicate the depth of the problems and can suggest the way of solving the problem.

ii) **Ratio analysis :** Ratio anaysis is the most important method of interpreting the financial statements. A financial ratio implies a relationship between two variables of financial statements of an organisation. Generally the variables for ratio analysis are taken from both profit and loss account and balance sheet. Ratio may be expressed in three ways, such as percentage (25%), a proportion (1:4) or a fraction (¼).

iii) **Break-even analysis :** Break-even analysis is a graphical technique of control. By this technique business can identify an appropriate number of units to be produced to generate maximum revenue to cover the cost. By this technique a point is located where the total cost is equal to the total revenue. By the use of this technique production and sales volume can be controled to avoid loss.

iv) **PERT/CPM :** These are the network techniques used for controlling the action and performance. The full meaning of PERT is Programme Evaluation and Review Technique and the full meaning of CPM is Critical Path Method. Under the

PERT/CPM method, a network diagram is prepared to display the sequence of activities necessary for the completion of a project. So, PERT helps an organiser in planning the schedule of a project and to monitor and control the progress of this project. This method also helps in identifying possible obstacles and shifting the resources as necessary to keep the project on schedule.

v) **Inventory control :** Inventory control is also called material control, which includes the kind, amount, location and timing of various materials. The main objective of inventory control is to provide the right material at right time at right place. Different parameters of inventory control are safety inventory level, maximum inventory level, re-ordering level, etc.

vi) **Statistical Quality Control (SQC) :** SQC is a statistical method which analyse data in the determination and control of quality. It is a preventive method and can reduce cost and time of inspection work.

vii) **Financial statement :** Profit and Loss account and balance sheet are the two principle financial statements. These financial statements show the working as well as finantial position of a business. There are various techniques of analyzing these financial statements such as ratio analysis, comparative statement, break-even point, trend analysis etc. which can be used as techniques of controlling the day-to-day financial activities of an organisation.

viii) **Human Resource Accounting :** According to Eric Flamholt Human Resource Accounting is the accounting for people as an organizational resource. It involves measuring the costs incurred by business firms to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organisation. Human Resource Accounting can change the attitude of executives and in this way it can provide necessary data and information for controlling human resource of an organisation.

ix) **Management Information System :** Under the Management Information System selected decision oriented information is provided by management for planning, controlling and evaluating the activities of the corporation. It is designed to control the organizational activities at all levels. The Management Information System requires the current as well as future information on marketing, administration, production, research functions etc. On the basis of the data and information supplied by the Management Information System, the top management can formulate appropriate control technique.



CHECK YOUR PROGRESS

Q 5: What is budgetary control system?

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5.9 LET US SUM UP

In this unit, we have discussed the following–

Controlling is a process of analysing and examining whether actual performance is going on according to planned performance and if not where the deviations are and when to take measures for correction. Control is a continuous process. It is goal oriented and based on planning. Control is very much essential in the management of large organisation. Control can help an organisation in fulfilment of its predetermined goals. It is also helpful in the decision making process. There are mainly four steps of control process: Establishment of standard, Measurement of performance, Comparison between the actual perfornamce and standard, correction of deviation. The essence of the control system is the people, not things or resources. The control system affects the behaviour of the employees.