Principles of Management
Unit V- Controlling

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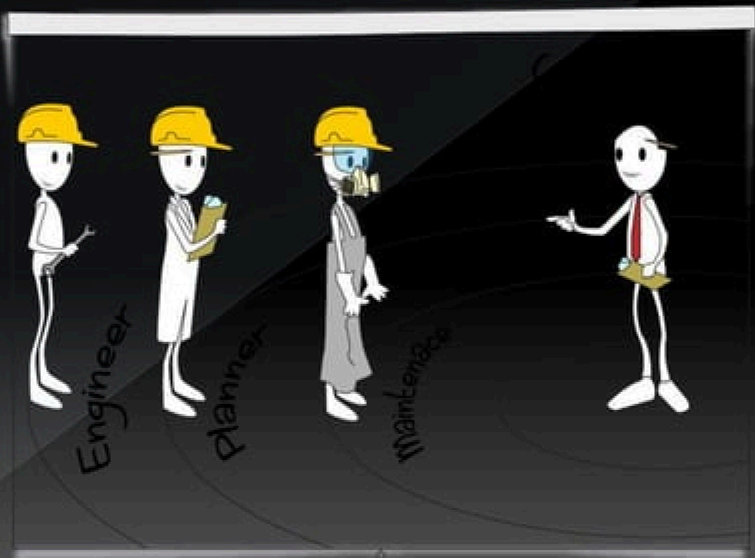
AP/MECH

Topics

- System and process of controlling
- Budgetary and non-budgetary control techniques
- Use of computers and IT in Management control
- Productivity problems and management
- Control and performance
- Direct and preventive control
- Reporting

System and process of Controlling



Controlling

- " The managerial function of controlling is the measurement and correction of the performance of activities of subordinates in order to make sure that enterprise objectives and the plans devised to attain them are being accomplished." - Koontz and O'Donnell

Controlling

- Controlling is the process of ensuring that actual activities conform to planned activities.

Control process

- The control process is a three-step process of measuring actual performance, comparing actual performance against a standard, and taking managerial action to correct deviations or to address inadequate standards.

CONTROL PROCESS

Step 1. Measuring Actual Performance

- To determine what actual performance is, a manager must first get information about it. Thus, the first step in control is measuring
- HOW WE MEASURE. Four approaches used by managers to measure and report actual performance are personal observations, statistical reports, oral reports, and written reports.

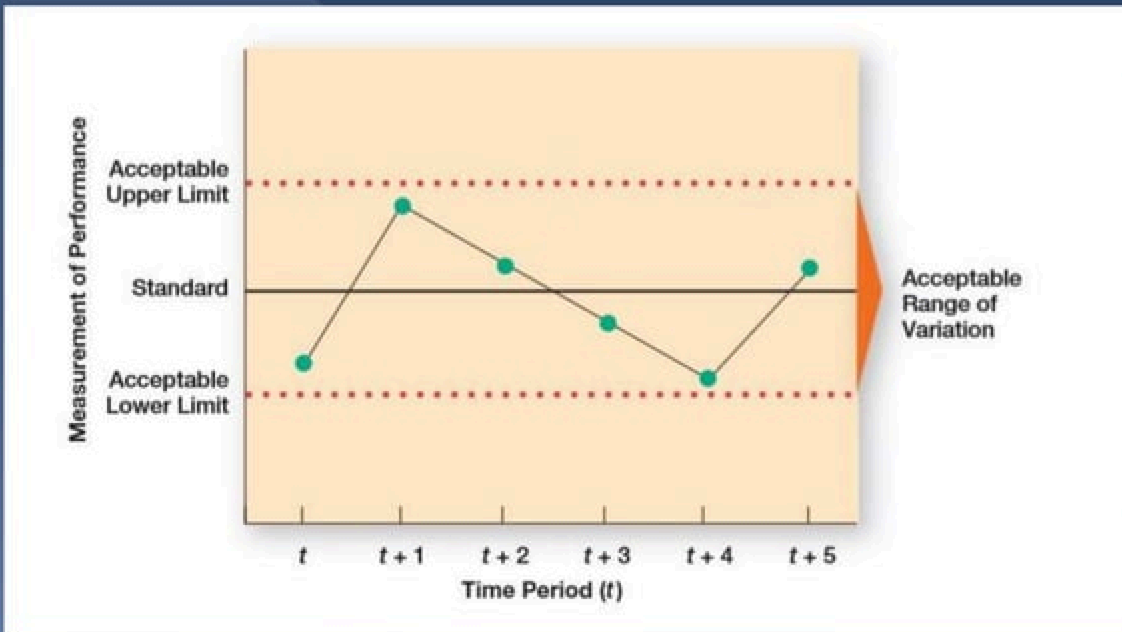
Step 1. Measuring Actual Performance

- WHAT WE MEASURE What is measured is probably more critical to the control process than how it's measured.
- criteria such as employee satisfaction or turnover and absenteeism rates can be measured

Step 2. Comparing Actual Performance Against the Standard

- The comparing step determines the variation between actual performance and the standard. Although some variation in performance can be expected in all activities, it's critical to determine an acceptable range of variation

Step 2.
Acceptable Range of Variation



Step 3. Taking Managerial Action

- Managers can choose among three possible courses of action: do nothing, correct the actual performance, or revise the standards.

correct the actual performance

- Depending on what the problem is, a manager could take different corrective actions.
- One decision that a manager must make is whether to take immediate corrective action, which corrects problems at once to get performance back on track, or to use basic corrective action, which looks at how and why performance deviated before correcting the source of deviation.

REVISE THE STANDARD.

- It's possible that the variance was a result of an unrealistic standard—too low or too high a goal.

Budgetary and Non-Budgetary control techniques

Techniques of control

- The methods and systems can take many forms and can be intended for various forms: budgetary methods, non budgetary control devices and modern methods.

a) Budgetary Methods:
b) Non Budgetary Control Methods:
c) Modern Methods of Control

Budget

- A formal statement of the financial resources set aside for carrying out specific activities in a given period of time.
- It helps to co-ordinate the activities of the organisation.
- Budget is a statement of anticipated results during a designated time expressed either in financial or non financial terms.
- An example would be an advertising budget or sales force budget.

Essentials of a Budget

- It is prepared for a definite future period.
- It is a statement prepared prior to a defined period of time.
- The Budget is monetary and I or quantitative statement of policy.
- The Budget is a predetermined statement and its purpose is to attain a given objective.

Types of Budgets

- (A) Classification on the basis of Time:
  - 1. Long-Term Budgets
  - 2. Short-Term Budgets
  - 3. Current Budgets
- (B) Classification according to Functions:
  - 1. Functional or Subsidiary Budgets
  - 2. Master Budgets
- (C) Classification on the basis of Capacity :
  - 1. Fixed Budgets
  - 2. Flexible Budgets

Basis of Time

- Long-term budgets are prepared for a longer period varies between five to ten years.
- It is usually developed by the top level management.
- Long-Term Budgets are prepared for important activities like composition of its capital expenditure, new product development and research, long-term finance etc.

Basis of Time

- Short-Term Budgets
- These budgets are usually prepared for a period of one year.
- Sometimes they may be prepared for shorter period as for quarterly or half yearly.

Basis of Time

- Current budgets are prepared for the current operations of the business.
- The planning period of a budget generally in months or weeks

Basis of Functions

- The functional budget is one which relates to any of the functions of an organization.
- (1) Sales Budget
- (2) Purchase Budget
- (3) Production Budget
- (4) Selling and Distribution Cost Budget
- (5) Labour Cost Budget
- (6) Cash Budget
- (7) Capital Expenditure Budget

Basis of Functions

- The Master Budget is a summary budget.
- This budget encompasses all the functional activities into one harmonious unit.
- Master Budget as the summary budget incorporating its functional budgets, which is finally approved, adopted and employed.

Basis of Capacity

- Fixed Budget: A fixed budget is designed to remain unchanged irrespective of the level of activity actually attained.
- Flexible Budget: A flexible budget is a budget which is designed to change in accordance with the various level of activity actually attained. The flexible budget also called as Variable Budget.

Budget

- A budget, in reality, is both a planning tool and a control mechanism. Budget development processes vary among organizations according to who does the budgeting and how the financial resources are allocated.
- Some budget development methods are as follows:

Types of Budget

- **Long Term Budget:** prepared for periods longer than a year ex: **R&D Budget**
- **Short Term Budget:** less than year ex:cash budget
- **Basic Budget:** remains unaltered
- **Current Budget:** related to the current conditions
- **Fixed Budget:** remain unchanged
- **Flexible Budget:** various budgets for different levels of activity
- **Functional Budget:** the individual functions in an organization
- **Master Budget:** Profit & Loss Account

Budgeting Methods

- Top-down budgeting. Managers prepare the budget and send it to subordinates.
- Bottom-up budgeting. Figures come from the lower levels and are adjusted and coordinated as they move up the hierarchy.
- Zero-based budgeting. Managers develop each new budget by justifying the projected allocation against its contribution to departmental or organizational goals.
- Flexible budgeting. Any budget exercise can incorporate flexible budgets, which set “meet or beat” standards that can be compared to expenditures.

Budgetary control

- A control technique whereby actual results are compared with budgets.
- Any differences (variances) are made the responsibility of key individuals who can either exercise control action or revise the original budgets.

Objectives of Budgetary Control

- Budgetary Control is planned to assist the management for policy formulation, **planning, controlling and co-ordinating** the general objectives of budgetary control and can be stated in the following ways:

a) Budgetary Methods:

budgets are formal quantitative statements of the resources set aside for carrying out planned activities over given periods of time.

- Operating Budgets

The most common types of operating budgets are

- the expense,
- revenue and
- profit budgets.

- Variable Budget: are cost schedules that show how each cost should vary as the level of output varies.

They are used where operations are repetitive, where there are a large number of different expenses and where these expenses can be accurately estimated.

Three types of costs are considered when developing variable budgets:

Fixed, Variable, and semi-variable costs.

- Zero Base Budgeting: The enterprise's programs are divided into packages composed of goals and activities and then costs are calculated from the base.

By starting the budget of each package from base zero, costs are calculated afresh for each budget period, without referring the changes from the previous period.

ADVANTAGES OF BUDGETARY CONTROL

- The major strength of budgeting is that it coordinates activities across departments.
- Budgets translate **strategic plans** into action. They specify the *resources*, *revenues*, and activities required to carry out the strategic plan for the coming year.
- Budgets provide an excellent record of organizational **activities**.
- Budgets improve **communication** with employees.
- Budgets improve **resources allocation**, because all requests are clarified and justified.
- Budgets provide a tool for corrective action through **reallocations**.

DISADVANTAGES OF BUDGETARY CONTROL

- The major problem occurs when budgets are **applied mechanically** and rigidly.
- Budgets can demotivate employees because of **lack of participation**. If the budgets are arbitrarily imposed top down, employees will not understand the reason for budgeted expenditures, and will not be committed to them.
- Budgets can cause perceptions of **unfairness**.
- Budgets can create **competition for resources and politics**.
- A rigid budget structure **reduces initiative** and innovation at lower levels, making it impossible to obtain money for new ideas.

b)Non Budgetary Control Methods:

- Statistical Data: Statistical analysis with wider application of tools and techniques, and the clear presentation of statistical data, whether of a historical or a forecast nature, are important to control.
- Special Reports and Analysis: For control purposes, special reports and analyses help in particular problem areas.

- Auditing: Auditing validates the honesty and fairness of financial statements to provide a critical basis for management decisions.

It is a process of appraisal.

External audit is largely a verification process involving the independent appraisal of the organization's financial accounts and statements. The audit is conducted by accounting personnel employed by an outside firm or by chartered accountants.

Internal audit or operational auditing is carried out by members of the organization

- Personal Observation: Managers have the risk of seeing that enterprise's objectives are accomplished by people and go to the area of activities and taking notice of what is being done. This is nothing but "Management by Walking Around".

c)Modern Methods of Control

- LINEAR PROGRAMMING
- GANTT CHART
- CRITICAL PATH METHOD(CPM)
- PROGRAM EVALUATION & REVIEW TECHNIQUE(PERT)

LINEAR PROGRAMMING

ACCORDING TO WILLIAM M. FOX

"LINEAR PROGRAMMING IS A PLANNING TECHNIQUE THAT PERMITS SOME OBJECTIVE FUNCTION TO BE MINIMISED OR MAXIMISED WITHIN THE FRAMEWORK OF GIVEN SITUATIONAL RESTRICTIONS."

REPRESENTATION-

$$AX1+BX2 \leq Z$$

REQUIREMENTS-

1. OBJECTIVE FUNCTION.
2. CONSTRAINTS.
3. LINEARITY.
4. NONEGATIVITY
5. FINITENESS.

ADVANTAGES

1. FACILITATES LOGICAL THINKING AND STUDY OF DATA.
2. ONE CAN EVALUATE THE COSTS AND BENEFITS OF DIFFERENT ALTERNATIVES.
3. HELPFUL IN MAKING ADJUSTMENTS IN THE PLAN.
4. CAN BE APPLIED TO A VARIETY OF MULTIDIMENSIONAL PROBLEMS.

LIMITATIONS

- SOLVES PROBLEM OF LINEAR NATURE.
- CANNOT PROVIDE SOLUTIONS TO PROBLEMS WHICH INVOLVE VARIABLES NOT CAPABLE OF BEING EXPRESSED QUANTITATIVELY.
- UNCERTAINTIES ARE NOT CONSIDERED.
- RESULT UNDER THIS TECHNIQUE ARE NOT NECESSARILY TO BE IN WHOLE NUMBERS.

GANTT CHART

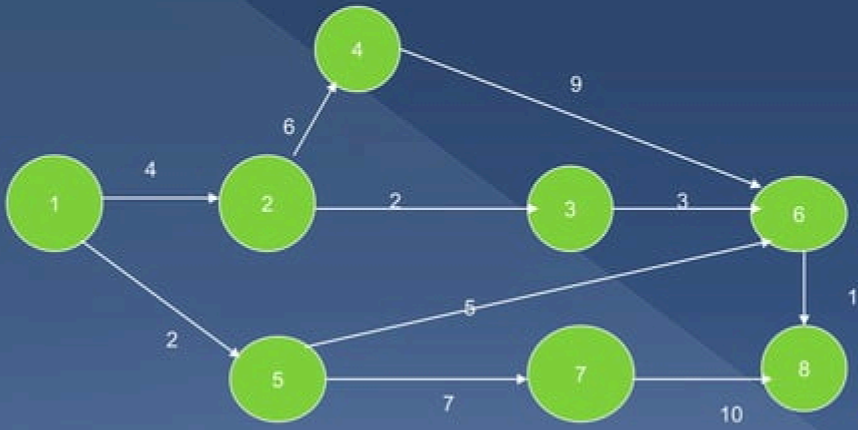
- THIS CHART SYSTEM WAS DEVELOPED BY HENRY L. GANTT.
- **GANTT CHART-** A BAR CHART THAT SHOWS THE TIME RELATIONSHIPS BETWEEN THE "EVENTS" OF A PRODUCTION PROGRAM.
- **MILESTONE BUDGETING OR MILEPOST-** ADVANCED TECHNIQUE OF GANTT CHART MILESTONE BREAKS A PROJECT DOWN INTO CONTROLLABLE PIECES.

CRITICAL PATH METHOD(CPM)

- DEVELOPED BY M.R. WALKER OF USA IN 1956.
- IT IS USED FOR OPTIMISING RESOURCE ALLOCATION AND MINIMISING OVERALL COST FOR A GIVEN PROJECT.
- **PROCEDURE-**

1. BREAK DOWN THE PROJECT INTO VARIOUS ACTIVITIES SYSTEMATICALLY.
2. NUMBER ALL THE EVENTS AND ACTIVITIES.
3. CALCULATE THE EARLIEST START TIME, EARLIER FINISH TIME, LATEST START TIME AND LATEST FINISH TIME.
4. DETERMINE TOTAL FLOAT TIME.
5. IDENTIFY THE CRITICAL ACTIVITIES AND CONNECT THEM WITH DOUBLE LINE ARROW.
6. CALCULATE TOTAL DURATION OF PROJECT.

CPM NETWORK DIAGRAM



ADVANTAGES

- HIGHLIGHTS THE CRITICAL ACTIVITIES.
- PROVIDES A TECHNIQUE OF PLANNING AND SCHEDULING.
- GIVES COMPLETE INFORMATION OF ACTIVITY.
- HELPS TO IDENTIFY POTENTIAL BOTTLENECKS.

LIMITATIONS

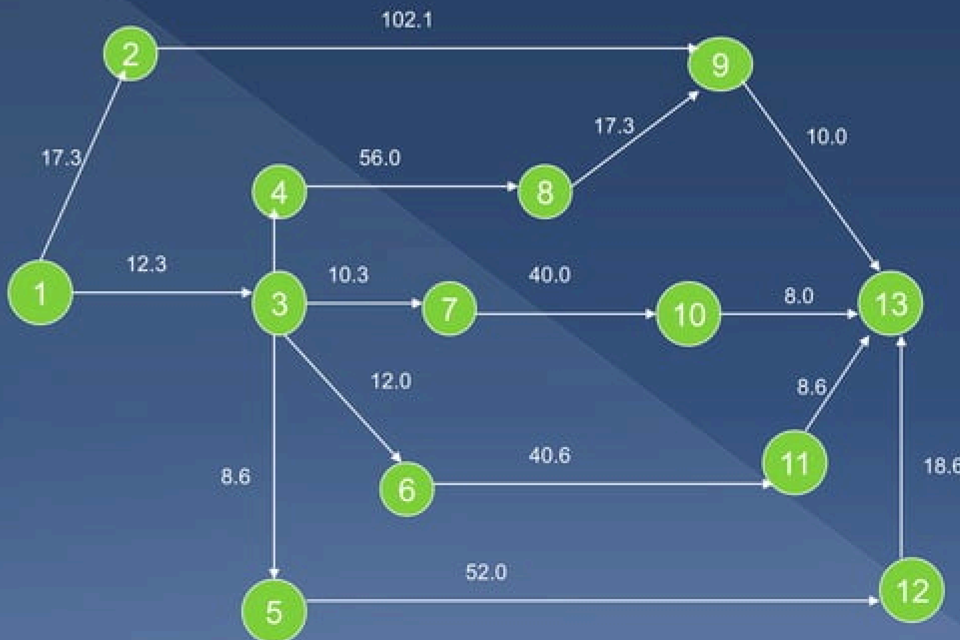
- OPERATES ON ASSUMPTION OF PRECISE TIME.
- DOES NOT INCORPORATE STATISTICAL ANALYSIS IN DETERMINIG TIME ESTIMATES.
- FOR EVERY CHANGE INTRODUCED ENTIRE PROJECT EVALUATION HAS TO BE REPEATED.
- NOT SUITABLE FOR A SITUATION WHICH DOES NOT HAVE DEFINITE START AND FINISH TIME.

PROGRAM EVALUATION AND REVIEW TECHNIQUE(PERT)

- **PERT-** A TIME EVENT NETWORK ANALYSIS SYSTEM IN WHICH THE VARIOUS EVENTS IN A PROJECT OR PROGRAM ARE IDENTIFIED WITH A PLANNED TIME ESTABLISHED FOR EACH.

METHODOLOGY

- PREPARATION OF THE NETWORK .
- NETWORK ANALYSIS.
- SCHEDULING.
- TIME COST TRADE OFFS.
- RESOURCE ALLOCATION.
- PROJECT CONTROL.



102.1
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7
40.0
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13
12.0
8.6
40.6
11
18.6
8.6
6
52.0
5
12

ADVANTAGES

- FORCES MANAGER TO PLAN.
- FORCES PLANNING ALL THE WAY DOWN THE LINE.
- CONCENTRATES ATTENTION ON CRITICAL ELEMENT THAT MAY NEED CORRECTION.
- MAKES POSSIBLE A KIND OF FORWARD LOOKING CONTROL.
- ENABLES MANAGERS TO AIM REPORTS AND PRESSURE FOR ACTION AT THE RIGHT SPOT AND LEVEL IN THE ORGANISATION STRUCTURE AT THE RIGHT TIME.

LIMITATIONS

- TECHNIQUE IS NOT USEFUL WHEN THE PROGRAM IS NEBULOUS AND NO REASONABLE ESTIMATES OF SCHEDULE CAN BE MADE.
- PERT HAS ITS EMPHASIS ONLY ON TIME AND NOT COST.
- NOT PRACTICABLE FOR ROUTINE PLANNING OF RECURRING ACTIVITIES.

Use of computers and IT in Management control

INFORMATION TECHNOLOGY

THE DEVELOPMENTS IN INFORMATION TECHNOLOGY GREATLY FACILITATES ORGANISATIONAL CONTROL AT A RELATIVELY LOW COST.

INFORMATION TECHNOLOGY HAS PROMOTED THE DEVELOPMENT OF MANAGEMENT INFORMATION SYSTEM.

MANAGEMENT INFORMATION SYSTEM-

A FORMAL SYSTEM OF GATHERING, PROCESSING AND DISPERSING INFORMATION INTERNAL AND EXTERNAL TO THE ENTERPRISE IN A TIMELY, EFFECTIVE, AND EFFICIENT MANNER TO SUPPORT MANAGERS IN THEIR JOBS.

Management information system (MIS)

- An MIS provides managers with information and support for effective decision making, and provides feedback on daily operations
- Output, or reports, are usually generated through accumulation of transaction processing data
- Each MIS is an integrated collection of subsystems, which are typically organized along functional lines within an organization

Management Information System

- An MIS is
  - An integrated (computer-based) user-machine system
  - For providing information
  - To support decision-making functions
  - In an organization

Characteristics of a MIS

- Provides reports with fixed and standard formats
  - Hard-copy and soft-copy reports
- Uses internal data stored in the computer system
- End users can develop custom reports
- Requires formal requests from users

Components of MIS

1) Marketing Research System (MRS)

Marketing research can be seen as the systematic and objective search for and analysis of data and information relevant to the identification and solution of any problem in the field of marketing.

Components of MIS

2) Marketing Intelligence System (MIS)

The process of acquiring and analyzing information in order to understand the market (both existing and potential customers); to determine the current and future needs and preferences, attitudes and behavior of the market; and to assess changes in the business environment that may affect the size and nature of the market in the future.

Components of MIS

3) Internal Record System (IRS)

Marketing managers rely on internal reports on orders, sales, prices, costs, inventory levels, receivables, payables, and so on. By analyzing this information, they can spot important opportunities and problems.

Components of MIS

4) Decision Support System(DSS)

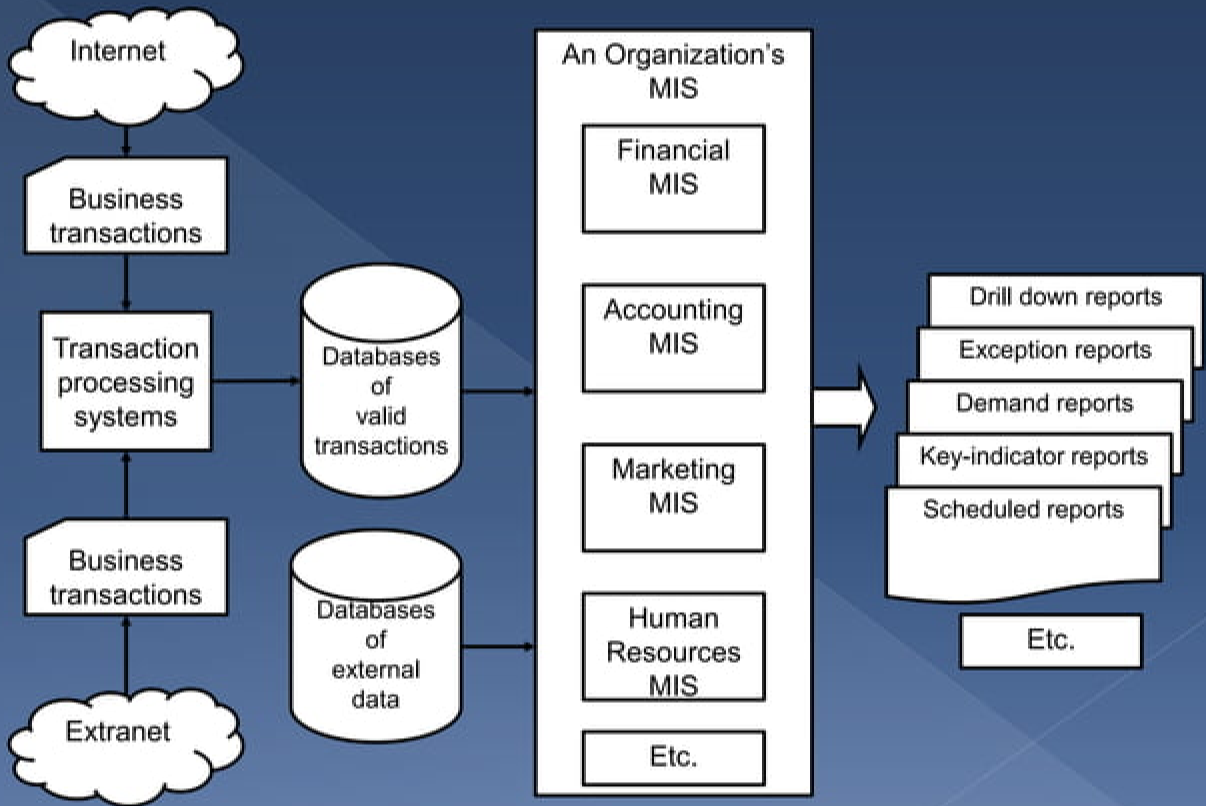
A decision support system (DSS) is a computer-based information system that supports business or organizational decision-making activities. DSSs serve the management, operations, and planning levels of an organization and help to make decisions, which may be rapidly changing and not easily specified in advance.

MIS for Competitive Advantage

- Provides support to managers as they work to achieve corporate goals
- Enables managers to compare results to established company goals and identify problem areas and opportunities for improvement

Functional Aspects

- MIS is an integrated collection of functional information systems, each supporting particular functional areas.



Internet
Business transactions
Transaction processing systems
Business transactions
Extranet
Databases of valid transactions
Databases of external data
An Organization's MIS
Financial MIS
Accounting MIS
Marketing MIS
Human Resources MIS
Etc.
Drill down reports
Exception reports
Demand reports
Key-indicator reports
Scheduled reports
Etc.

Types of MIS

- **Transaction processing systems:** These systems process a large volume of routine, recurring transactions.
- **Operations information systems:** These systems gather comprehensive data, organize it and summarize it in a form that is useful for managers.
- **Decision support systems:** These systems help mangers with the necessary information to make intelligent decisions.
- **Expert systems:** They are meant to mimic humans in making decisions in a specific field.

Benefits of MIS

- It improves personal efficiency.
- It expedites problem solving(speed up the progress of problems solving in an organization).
- It facilitates interpersonal communication
- It promotes learning or training.
- It increases organizational control.
- It generates new evidence in support of a decision.
- It creates a competitive advantage over competition.
- It encourages exploration and discovery on the part of the decision maker.
- It reveals new approaches to thinking about the problem space.
- It helps automate the Managerial processes.

Productivity problems and management

Productivity: Definition

- Productivity is the relationship between the outputs generated from a system and the inputs that are used to create those outputs.
- Productivity is a common measure of how well resources are being used or a measure of the effective use of resources usually expressed as the ratio of output to input

$$P = O/I$$

Productivity

- Single-factor measures
  - Output / (Single Input)
- All-factors measure
  - Output / (Total Inputs)

Production and Operations Management: Manufacturing and Service

- Production management was the term used to refer to those activities necessary to manufacture products
- Operations management refers to activities necessary to produce and deliver a service as well as a physical product

Operations Management

- **Operations management (OM)** is the set of activities that create value in the form of goods and services by transforming inputs into outputs

Tools and Techniques for Improving Productivity

- Inventory Planning and Control
- Just-in-Time Inventory System
  - In the just-in-time (JIT) inventory method, the supplier delivers the components and parts to the production line "just in time" to be assembled
- Outsourcing
  - Outsourcing means that production and operations are contracted to outside vendors that have expertise in specific areas

Control and performance

Controlling for Organizational Performance

- What Is Performance?
  - The end result of an activity
- What Is Organizational Performance?
  - The accumulated end results of all of the organization's work processes and activities
    - Designing strategies, work processes, and work activities.
    - Coordinating the work of employees.

Organizational Performance Measures

- Organizational **<u>Productivity</u>**
  - **Productivity:** the overall output of goods and/or services divided by the inputs needed to generate that output.
    - Output: sales revenues
    - Inputs: costs of resources (materials, labor expense, and facilities)
  - Ultimately, productivity is a measure of how efficiently employees do their work.

Organizational Performance Measures

- Organizational **Effectiveness**
  - Measuring how appropriate organizational goals are and how well the organization is achieving its goals.

Types of Control

FEED FORWARD CONTROL - is a preliminary control that takes place before operations begin and includes the development of policies, procedures and rules that are designed to ensure that planned activities will be carried out properly. It is a future directed control method.

Types of Control

CONCURRENT CONTROL- is the heart of any operating control system. Concurrent control takes place during the action phase of carrying out the plans and includes direction, monitoring and adjusting the activities as they occur

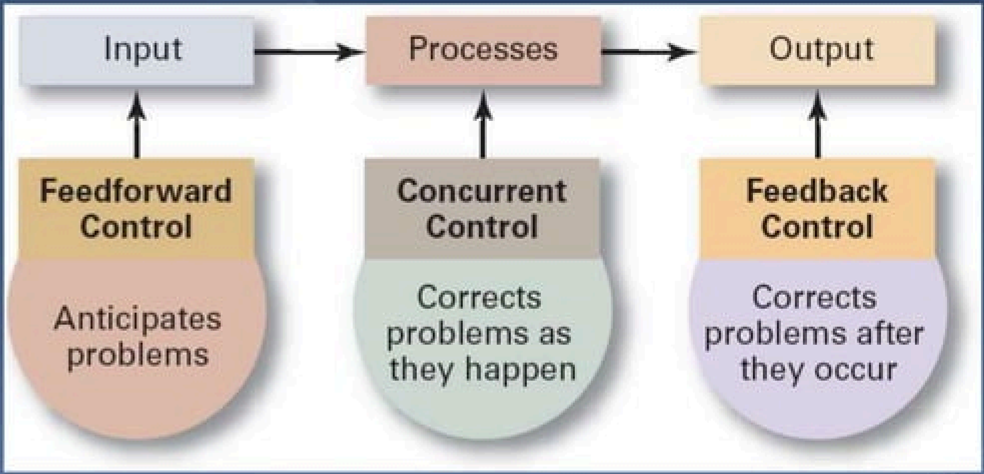
Types of Control

- FEEDBACK CONTROL - measures outputs of a process and feed into the system or inputs for corrective action to obtain desired outputs.

Measures of Organizational P erformance

- Employees need to see the connection between what they do and the outcomes. The most frequently used
- organizational performance measures include organizational productivity, organizational effectiveness, and
- industry rankings.
- 1.**Organizational productivity** is the overall output of goods or services produced divided by the
- inputs needed to generate that output. It's the management's job to increase this ratio.
- 2.**Organizational effectiveness** is a measure of how appropriate organizational goals are and how
- well an organization is achieving those goals

Tools for Measuring Organizational Performance



Tools for Measuring Organizational Performance

- Feed forward Control
  - A control that prevents anticipated problems *before* actual occurrences of the problem.
    - Building in quality through design.
    - Requiring suppliers conform to ISO 9002.
- Concurrent Control
  - A control that takes place while the monitored activity is in progress.
    - **Direct supervision**: management by walking around.

Tools for Measuring Organizational Performance

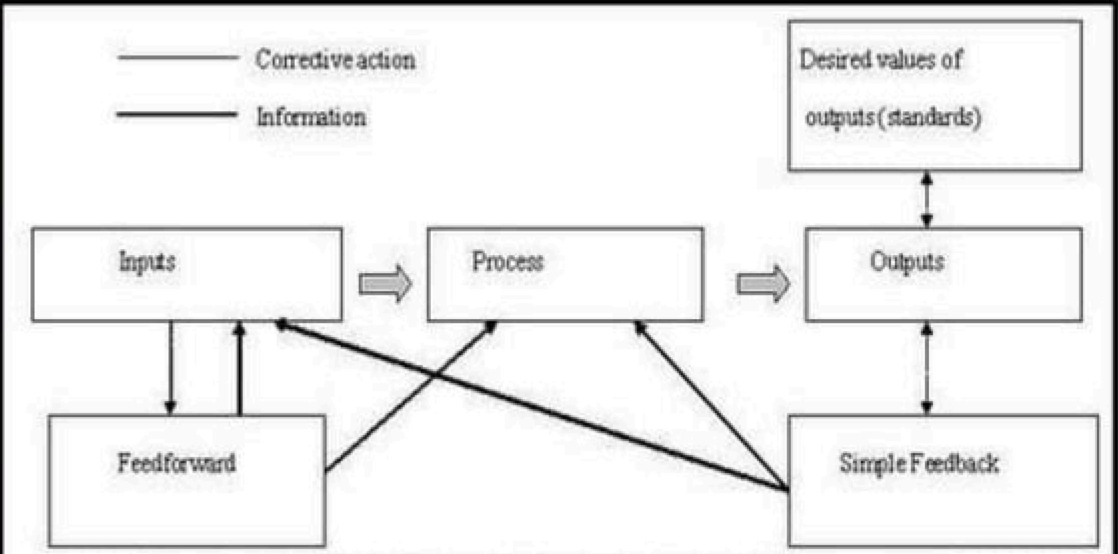
- Feedback Control
  - A control that takes place after an activity is done.
    - Corrective action is after-the-fact, when the problem has already occurred.
  - Advantages of feedback controls:
    - Provide managers with information on the effectiveness of their planning efforts.
    - Enhance employee motivation by providing them with information on how well they are doing.

FEEDFORWARD versus FEEDBACK

- Simple feedback systems measure output of a process and feed into the system or the inputs of a system corrective actions to obtain desired outputs.

  For most management problems, due to the time lags, this process becomes un-favourable. Feed-forward systems monitors inputs into a process to ascertain whether they are as planned.

FEEDFORWARD versus FEEDBACK



COMPARISON OF SIMPLE FEEDBACK AND FEEDFORWARD CONTROL

FEEDFORWARD versus FEEDBACK

- As we can see from the diagram above, Feed forward is actually like a reverse-feedback. As a result of this, the corrections can be made into the input side of Feed-forward system so that the output lies unaffected.
- On the other hand, it cannot be denied that even with a Feed-forward control, a manger would still want to measure final system output since nothing can be expected to work perfectly enough to ensure that the final output will always be exactly to what it is right now.

Balanced Scorecard

- The balanced scorecard approach is a way to evaluate organizational performance from more than just the financial perspective.
- A balanced scorecard typically looks at four areas that contribute to a company's performance: financial, customer, internal processes, and people/innovation/growth assets.
- According to this approach, managers should develop goals in each of the four areas and then measure whether the goals are being met

Benchmarking

- benchmarking, which is the search for the best practices among competitors or non-competitors that lead to their superior performance.
- Benchmarking should identify various benchmarks, which are the standards of excellence against which to measure and compare.

QUALITY CONTROL

- Quality control refers to the technical process that gathers, examines, analyze & report the progress of the project & conformance with the performance requirements

Steps involved in quality control process are

1) Determine what parameter is to be controlled.
2) Establish its criticality
3) Establish a specification for the parameter to be controlled
4) Produce plans for control
5) Organize resources to implement the plans
6) Install a sensor at an appropriate point
7) Collect and transmit data to a place for analysis
8) Verify the results and diagnose the cause of variance.
9) Propose remedies and decide on the action
10) Take the agreed action and check that the variance

Advantages and disadvantages

- Advantages include better products and services
- Disadvantages include needing more man power/operations to maintain quality control

Direct and preventive control

Causes of negative deviations

- Uncertainty
- Lack of knowledge, experience, or judgment

Two general approaches to negative deviations

- Direct control: the procedure that traces the causes of an unsatisfactory result back to the persons responsible for it and get them to correct their practices.
- Preventive control: the procedure that traces the causes of an unsatisfactory result back to managers' management skill and knowledge.

Questionable assumptions underlying direct control

- All performance can be measured
- Personal responsibility exists
- Time expenditure is warranted
- Mistakes can be discovered in time
- Person responsible will take corrective steps

Assumptions of preventive control

- Qualified managers make a minimum of errors
- The management fundamentals can be used to measure performance
- Application of management fundamentals can be evaluated

Advantages of preventive control

- Greater accuracy is achieved in assigning personal responsibility.
- Preventive control encourages self-control and make corrective action more effective.
- Preventive control may lighten the managerial burden caused by direct controls.
- Employees may be motivated to improve themselves continuously.

Control through Return on Investment (ROI)

- One of the most successfully used control techniques is that of measuring both the absolute and the relative success of a company or a company unit by the ratio of earnings to investment of capital. The return-on-investment approach, often referred to simply as ROI, has been the core of the control system of the Du Pont Company since 1919.

Advantages of ROI

- It measures the effectiveness of the company as the whole and of its measures devotional its product & planning.
- Can be used to compare divisions of different sizes.
- Acceptable/understandable
- Uses readily available accounting figures.

Disadvantage of ROI

- Can lead to dysfunctional decisions.
- Profits can be manipulated.
- It fails to focus attention on other important aspect of the enterprise of such as employ moral and employ development, public relation.

Reporting

Reporting

- **The term "reporting" mean different things as follows:**
  - (a) Narrating some facts,
  - (b) Reviewing certain matter with its merits and demerits and offering comments,
  - (c) Furnishing data at regular intervals in standardized forms,
  - (d) Submitting specific information for particular purpose upon specific request instruction.

Management reporting

- Management reporting refers to the formal system whereby relevant required information is furnished to management by means of reports constantly.
- Thus 'report' is the essence of any management reporting system.

Management reporting

- The goal of the discipline is to identify useful measures, or key performance indicators, that will give upper management an accurate picture of how the business is doing operationally.
- The measures that are appropriate will vary depending on the type of organisation and industry but they should help to explain the company's financial performance.

Essentials of Good Reporting Systems

- Proper Form
- Contents
- Promptness
- Accuracy
- Comparability
- Consistency
- Relevancy
- Flexibility
- Controllability

Types of Report

- Internal Reports
  - Prepared for internal uses of different levels of Maangement
- External Reports
  - Prepared for Government,Shareholders,Bankers,Investors,Institituitions etc.,