Chapter 7 – Management Activities

PAST MANAGEMENT ACTIVITIES – **CONTROLLING** - QUESTIONS

2009 (ABQ) – DISCUSS THREE TYPES OF CONTROL	**2006 (ABQ) – DISCUSS MAAGEMENT ACTIVITIES**
Stock Credit Quality Financial	**Planning** – Selecting goals and objectives and ways to achieve them. Helps reduce risk and uncertainty. May included strategic, Tactical and operational **Organising** – This getting thing done through an organised structure that a business can achieve its goals For example functional and matrix **Controlling** – Involves measure the errors in plans and taking action to correct them -for example stock, Credit

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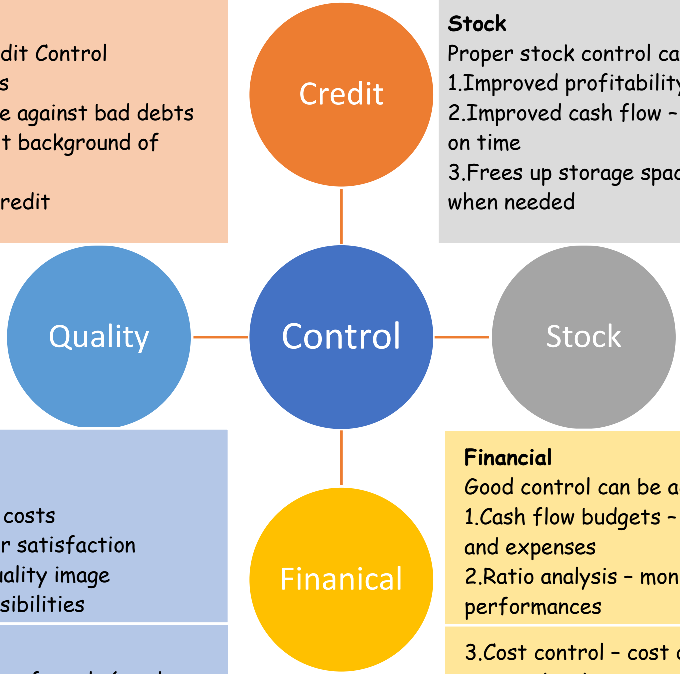
PAST MANAGEMENT ACTIVITIES – *CONTROLLING* – ONE PAGE SUMMARY

Credit
How to improve Credit Control
1.Offering discounts
2.Take out insurance against bad debts
3.Researching credit background of customers
4.Refusing to give credit

Stock
Proper stock control can lead to the
1.Improved profitability – less errors
2.Improved cash flow – Receive payment on time
3.Frees up storage space – raw material when needed



Quality
Important for
1.Reduce waste and costs
2.Increase customer satisfaction
3.Help promote a quality image
4.Meet legal responsibilities

Achieved by
1.Regular inspections of goods (random, 100% , Continuous Sampling)
2.Recruiting and training
3.Facilitating teamwork
4.Quality circles

Financial
Good control can be achieve by
1.Cash flow budgets – monitor income and expenses
2.Ratio analysis – monitor financial performances

3.Cost control – cost do not rise above a certain level
4.Break even analysis – The min level of sales to make a profit

Key Words

Control - This refers to the monitoring and checking of results to see that they agree with the targets set out in the plan. It is the continuous monitoring to make sure goals and target will be meet
Stock Control - This is making sure that the firms has the right quantity and type of goods in stock at the right time without incurring stockholding costs such as insurance, security and rent
Buffer stock - This refers to the minimum level of stock that should be held once stock falls below this level more stock should be ordered.
Just in Time - This is a type of stock control system in which stocks of raw materials or finished products are delivered when they are just needed and no sooner
Quality Control -This Means that the quality standards expected by customers are meet
Quality Circles - These are discussion groups made up of employees who meet regularly to discuss and resolve quality issues
Financial Control - This is used to monitor the financial affairs of the business to ensure it is profitable and always has enough money to pay its bills
Credit - This Credit means selling goods now but being paid form them later.
Credit control - This tries to minimum the risk of bad debts form customers who can't pay. It means monitoring which customer are given credit and for how long.
Credit Controller - This is the person responsible for managing credit given to debtors and collecting payment on time.
Bad Debts - These are the customers who bought on credit but and not able to pay their bill. They may be bankrupt.

Importance of Control

1. **Correction:** A good control system allows management to detect and correct problems before they get out of control. If Barings Bank had better control systems; Nick Leeson would not have been able to bankrupt the company.
2. **Quality:** The control system will ensure service to the customer's remains at the highest level. This may be achieved by creating a total quality management system in the organisation and by the introduction of quality awards.
3. **Efficiency:** Waste is reduced in all areas of the organisation when corrective action is prompt.
4. **Profits:** Profits should increase due to a reduction in costs associated with waste and defective products. Sales revenue may increase due to the ability to charge a premium price for a high-quality product.
5. **Keeps bad debts to a minimum**
6. **Control:** It controls and reduce waste and identifies is they are on target or deviating from the plans. The tighter the control the less likely there is for serious errors