

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA Semester –IV Examination Dec. - 2011

Subject code: 840003

Date: 12/12/2011

Subject Name: Management Control System (MCS)

Time: 02.30 pm – 05.30 pm

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q.1 (a) “Responsibility Centers constitute the structure of management control system and it functions as performance measurement tool of the managers”. – Discuss in context with Expense Center. **07**

(b) Case: **07**

Division-A of Sun-Moon Company manufactures Product X which is transferred to Division-B as a component of Product Y. Product Y is transferred to Division-C, which uses it as a component in Product Z. Product Z is sold to customers outside of the company. The intra company pricing policy is to transfer between divisions at standard cost plus a 10 percent return on inventories and fixed assets. From the following information, calculate the transfer price for Products X and Y and the standard cost of Product Z:

Particulars	Product X	Product Y	Product Z
	Rs.	Rs.	Rs.
Material Purchased from Suppliers	8	12	4
Direct Labour	4	4	8
Variable Overhead	4	4	8
Fixed Overhead	12	16	4
Standard Volume – Units	10,000	10,000	10,000
Inventories (Average)	2,80,000	60,000	1,20,000
Fixed Assets (Net)	1,20,000	1,80,000	48,000

Q.2 (a) Distinguish: Corporate Level Strategy and Business Level Strategy. **07**

(b) Discuss the different Corporate Strategies and Management Control Implications. **07**

OR

(b) “Balanced Scorecard measures are linked from top to bottom and tied to specific targets throughout the entire organisation”. – Justify. **07**

Q.3 (a) Describe Management Control System in Multinational Organisation. **07**

(b) “Informal forces play a key role in achieving Goal Congruence in business **07**

organization”.- Do you agree with the statement? Justify.

OR

Q.3 (a) You are a Marketing Manager of a Nexus Pharma Company. You want to design an incentive compensation plan. What are the incentive compensation design options will you consider? **07**

(b) Define: Profit Center. Discuss the different issues that need to be considered if Production Division of Reliance Company is to be treated as Profit Center. **07**

Q.4 (a) How will you analyse Proposed New Programmes and Ongoing Programmes as a Production Division Manager of 3G Corporation. **07**

(b) Describe the special characteristics of professional service organisation. Develop Management Control System for a Chartered Accountant Firm. **07**

OR

Q.4 (a) Define the concepts: ‘EVA’ and ‘ROI’. Explain how they differ from each other. **07**

(b) What do you mean by Transfer Pricing? Discuss various methods of Transfer Pricing. **07**

Q.5 (a) Explain the framework for designing performance measurement systems. **07**

(b) Calculate Economic Value Added (EVA) and Return On Investment (ROI) with the help of the following information of Limba Company Ltd. **07**

Equity : Rs. 100 lakhs

Debentures: Rs. 20 lakhs

Unsecured Loans : Rs. 30 lakhs

Profit After Tax : Rs. 15.83 lakhs

Rate of Tax : 40%

Normal Bank Rate : 12%

Cost of Debentures : 4.8%

Cost of Unsecured Loan : 6%

OR

Q.5 (a) “Budgetary control system cannot be operated unless the human factor in management is given adequate consideration”. Explain the statement with your supporting arguments. **07**

(b) Discuss revenue and expense variances for analysing financial performance of the business unit. Explain limitations of variance analysis. **07**
