Seat No.:	Enrolment No
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# 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 of system and it functions as performance measurement tool of the managers". Discuss in context with Expense Center.
  - (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 **07** Implications.

## OR

- (b) "Balanced Scorecard measures are linked from top to bottom and tied to 97 specific targets throughout the entire organisation". Justify.
- Q.3 (a) Describe Management Control System in Multinational Organisation.
  - (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?
  - **(b)** Define: Profit Center. Discuss the different issues that need to be **07** considered if Production Division of Reliance Company is to be treated as Profit Center.
- **Q.4** (a) How will you analyse Proposed New Programmes and Ongoing **07** Programmes as a Production Division Manager of 3G Corporation.
  - (b) Describe the special characteristics of professional service organisation. 07 Develop Management Control System for a Chartered Accountant Firm.

#### OR

- Q.4 (a) Define the concepts: 'EVA' and 'ROI'. Explain how they differ from each other.
  - **(b)** What do you mean by Transfer Pricing? Discuss various methods of **07** Transfer Pricing.
- Q.5 (a) Explain the framework for designing performance measurement systems. 07
  - (b) Calculate Economic Value Added (EVA) and Return On Investment 07 (ROI) with the help of the following information of Limba Company Ltd.

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

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