

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER-IV • EXAMINATION-SUMMER • 2014

Subject Code: 2840007

Date: 28-05-2014

Subject Name: Management Control System (MCS)

Time: 10.30 am - 13.30 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) Discuss in detail various elements of management control system and draw diagram depicting various elements of management control process . **07**

(b) Write short notes on i. Revenue Centers ii. Expense Centers . **07**

Q.2 (a) Explain concept of transfer pricing and ideal conditions for implementing transfer pricing in a company **07**

(b) What are various types of organizations? Explain in detail disadvantages of functional structure of organization . **07**

OR

(b) “ Impact of internet on the world of business has been significant .” Discuss validity of the statement with reference to management control system . **07**

Q.3 (a) How ‘ strategic planning ‘ is distinct from ‘ strategy formulation ‘? Discuss salient features of strategic planning implemented at Emerson Electric . **07**

(b) “ Pragmatic senior managements normally prescribes achievable budgets for business units .” Discuss **07**

OR

Q.3 (a) From the following particulars compute (a) materials cost variance (b) materials price variance : (c) materials usage variance : **07**

Quantity of materials purchased	3000 units
Value of materials purchased	Rs.9000
Standard (Budgeted) quantity of materials required Per MT of output	30 units
Standard (Budgeted) rate materials	Rs.2.50 per unit
Opening stock of materials	Nil
Closing stock of materials	500 units
Output during the period	80 MT

(b) In respect of Performance Measurement System , discuss key variables related to i) customer and ii) internal business processes **07**

Q.4 (a) Explain problems in control of administrative expenses with suitable examples. **07**

- (b) Zindal Ltd have two divisions . Division P & Division Q . The Division P produces three products : A , B & C . Normally these products are sold to both outside customer & customer & to Division Q .The Division Q uses products A , B and C in manufacturing products X , Y and Z respectively . In recent weeks , the supply of products A ,B and C has tightened to such an extent that the Division Q has been operating considerable low capacity because of lack of these products . Consequently ,the Division P has been told to sell all its products to the Division Q . The financial facts about these products are as follows :

07

(Rs.)			
The Division P			
	Product A	Product B	Product C
Transfer Price	30.00	30.00	45.00
Variable Manufacturing Exp	9.00	18.00	15.00
Contribution per unit	21.00	12.00	30.00
Fixed Costs (total)	1,50,000	3,00,000	1,50,000

The Division P has a monthly capacity of 50,000 units . The processing constraints are such that capacity production can be obtained only by producing at least 10, 000 units of each product . The remaining capacity can be used to produce 20,000 units any combination of the three products . The Division P cannot exceed the capacity of 50,000 units .

Questions :

- 1.If you were the manager of the Division P , what products would you sell to the Division Q ?
2. What is the amount of profit that you would earn of these sales ?

OR

- Q.4 (a) Explain advantages of having profit centers and difficulties with creation of profit centers . 07
- (b) Compare and contrast ROI and EVA as tools of performance evaluation of companies . 07
- Q.5 (a) Explain rules that govern formal control systems . 07
- (b) Discuss problems faced in control of research and development centers . 07

OR

- Q.5 (a) How ‘ negotiation ‘ and ‘ arbitration ‘ are used as tools of administration of transfer pricing in a company . 07
- (b) Write short notes on i) Balance Score Card ii) Interactive Control 07
