

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA SEMESTER IV MAY EXAMINATION 2013

Subject code: 2840007

Date: 01/12/2015

Subject Name: Management Control System (MCS)

Time: 02.30 PM TO 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) “Management Control is the process by which managers influence the other members of organization to implement organization’s strategies” Discuss the statement. **07**

(b) Discuss major merits and demerits of Business Unit Structure of organization. **07**

Q.2 (a) Explain the major types of Rules as part of formal control system. **07**

(b) “Corporate strategy is all about being in the right mix of businesses” discuss this statement in light of major types of corporate strategy. Give examples wherever necessary. **07**

OR

(b) “The strategy of Business unit depends on two interrelated aspects: (i) its mission and (ii) its competitive advantage” Discuss the statement by giving examples wherever necessary. **07**

Q.3 (a) “Establishing organization units as profit center improves the quality of decisions as well as speed of operating decisions can be increased” Discuss the Merits of Profit center in light of this statement. **07**

(b) Discuss the major types of Expense centers in detail. **07**

OR

Q.3 (a) Discuss the major types of Profitability measures in detail. **07**

(b) Hindustan Corporation has two divisions, Refining and Pipeline. The company's primary product is Engine Oil. Each division's costs are provided below: **07**

Pipeline: Variable costs per barrel of oil Rs. 3

Fixed costs per barrel of oil Rs. 2

Refining: Variable costs per barrel of oil Rs.10

Fixed costs per barrel of oil Rs.12

The Refining Division has been operating at a capacity of 40,000 barrels a day and usually purchases 25,000 barrels of oil from the Pipeline Division and 15,000 barrels from other suppliers at Rs.20 per barrel.

- 1) What is the transfer price per barrel from the Production Division to the Refining Division, assuming the method used to place a value on each barrel of oil is 180% of variable costs?
- 2) What is the transfer price per barrel from the Production Division to the Refining Division, assuming the method used to place a value on each barrel of oil is 110% of full costs?
- 3) Assume 200 barrels are transferred from the Production Division to the Refining Division for a transfer price of Rs.6 per barrel. The Refining Division sells the 200 barrels at a price of Rs.40 each to customers. What is the operating income of both divisions together?

- Q.4 (a)** Discuss how a company can evaluate its ongoing programs. **07**
(b) Discuss various limitations of variance analysis. **07**
OR
- Q.4 (a)** What are the major uses of preparing Budgets? Discuss. **07**
(b) Define and Discuss Short term incentive plans. **07**
- Q.5 (a)** Discuss the special characteristics of financial services organizations which can be taken into account while designing Management control systems. **07**
(b) Define Key success factors. Discuss how various customers focused key variables can be used in performance measurement. **07**
OR
- Q.5 (a)** Discuss Management control systems for Professional Services organizations. **07**
(b) Discuss how Stock Options provide long terms benefits to Managers. **07**
