

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER- 04 -EXAMINATION – WINTER 2016

Subject Code: 2840007

Date: 21/10/2016

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. No.	Question Text and Option	6
Q.1 (a)	A situation exists when groups & individuals work together for achieving particular goal is classified as 1. A. Motivation B. Goal congruence C. Efforts D. Autonomy A responsibility center where manager is accountable for only revenue and cost is 2. A. Cost center B. Revenue center C. Investment center D. Profit center What is the rate of net profit to invested capital? 3. A. Profit margin B. Return on investment C. Sales revenue D. None of the above Responsibility center in which output is measured in monetary terms are termed as 4. A. Profit center B. Revenue center C. Investment center D. Expense center For a profit center selling the goods the transfer price is the major determinants of 5. A. Sales & profit B. Revenue & sales C. Revenue & profit D. Sales & expense By what process do managers influence other members of an organization to implement organization's strategies? 6. A. Motivation B. Training C. Management D. Leading Control	
Q.1 (b)	Short / Definition Questions (1) Task control (2) Controller (3) Benchmarking (4) Interactive control system	04
Q.1 (c)	Discuss the nature of management control system	04
Q.2 (a)	What do you mean by management control system explain the boundaries of MCS	07
(b)	Discuss the application of management control system in nonprofit organization	07
OR		
(b)	Differentiate between use of management control system in project organization and manufacturing organization.	07

- Q.3** (a) What is goal congruence? Discuss the factors affecting goal congruence. **07**
(b) Explain profit center as responsibility center and discuss various measures of profit. **07**

OR

- Q.3** (a) What do you mean by responsibility center and Discuss the various responsibility center **07**
(b) Control systems play an important role in service as well as manufacturing organizations. Do formal and informal systems play an important role in a hospital? What steps should the hospital management take to ensure the effective implementation of management control system? **07**
- Q.4** (a) Define transfer pricing and discuss the various methods of transfer pricing. **07**
(b) What is ROI and EVA? Differentiate between them which is better EVA or ROI? Why? **07**

OR

- Q.4** (a) Discuss the performance measurement system. **07**
(b) Explain various compensation plan for corporate officers and managers in multinational organization. **07**

- Q.5** **Rockford Company** **14**

The Rockford Company founded in 1942, is in the business of laying wall-to-wall carpeting. The company was the brainchild of three persons, who became partners in the company. The company's innovation lay in changing the method of laying carpets, it broke the traditional practice of tacking carpets down. This idea was a great success, and in no time Rockford became the world leader in producing the tools for laying and stretching carpeting. Rockford developed and marketed a special adhesive for carpet laying. In course of time, the product line was expanded to the production of adhesive for plastic, materials to be fixed in kitchens, bathrooms, on furniture and elsewhere. The company also expanded its operations by introducing special products such as steel folding doors for closets and wardrobes, steel door frames, and other items. The company went global and penetrated several foreign markets. All the products were developed in US and were marketed in other countries. At this point, Rockford decided to move to a strategy of designing new products and making corporate acquisitions. Before embarking on the strategy, the company took stock of its position:

1. The company had very strong marketing abilities on a national and international basis in the field of carpet accessories.
2. Its overseas subsidiaries in Sweden, Australia, Japan, New Zealand, etc., were managed well.
3. Since the product was unique, Rockford faced little competition from other small companies. The company, therefore, felt that it could spend more than its small competitors in marketing and investing in specialized capital equipment.
4. The specialized capital equipment used by the company was designed and built by its own engineers.
5. While the company was leader in some of its products, like floor-covering accessories, it was subject to small and vigorous local competition in some areas.
6. While the adhesives in relation to floor covering accessories were extremely marketable and had a large presence in the market, the marketability of its adhesive applications was limited.

In order to pursue the new product strategy and acquisition program effectively, the board of directors asked the president to take a decision on the product strategy for the company at the next meeting.

Questions

1. What steps should the President take to develop a suitable strategy for Rockford?
2. Suggest a strategy to the Rockford company in the lights of facts and circumstances given.

OR

Q.5

Victor Automobiles

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Victor Automobiles was established in the year 1985 and employed more than 3,000 people in its production and operations plants. Its four plants were located at Chennai, Noida, Kolhapur and Bhubaneswar. The operations manager of the Kolhapur plant, Vikas Kapoor was considered to be one of the toughest bosses to work with. He gave the employees stringent deadlines and never bothered to find out if employees were having any difficulty in completing their work. The employees felt the environment was too tense and were unhappy that there was no career growth. There was a heavy turnover of employees at the Kolhapur plant.

Sensing that something was wrong, the top management transferred Kapoor to another branch, and appointed Jaychandran as the operations manager of the unit. Jaychandran had 20 year of experience as an operations manager. His style of control was different from that of Kapoor's. He set strategies in consultation with the workers and designed plans to solve problems jointly. He did not believe in blaming a particular individual for its occurrence. When he found that an employee's performance was moving in an undesirable direction, he met the employee personally and looked for the reasons for this.

He then developed an appropriate solution to the problem. The reward system under Jaychandran was not based on one or two specific measures of performance, but on the employee's overall performance. His style was not to punish employees for past actions but to help them improve their performance in the future.

He believed in the philosophy of management by walking around, and made it a point to spend some time talking to employees and listening to their problems. He felt that such informal communication would help boost the confidence of the employees in their employers. Jaychandran held the view that through MBWA, the values and culture of the organization could be instilled in the employees and the problems of the employees too could be sorted out.

Questions

1. The managerial styles used by Kapoor and Jaychandran were different. What effect do these managerial styles have on control systems?
2. The case discusses managerial styles and their impact on control systems. What are the various factors a manager has to consider before finalizing on a particular style?
