

GUJARAT TECHNOLOGICAL UNIVERSITY
M.B.A.- SEMESTER – IV EXAMINATION – OCTOBER 2012

Subject code: 2840007**Date: 29-10-2012****Subject Name: Management Control Systems****Time: 2:30 pm – 5:30 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) What do you understand by Management Control System? How it is differ from strategy formulation & task control. **07**
- (b) State the implication of different corporate level strategies in designing management control system. **07**

- Q.2** (a) “In a Goal Congruent process, the actions people are led to take in accordance with their perceived self interest are also in the best interest of the organization”. – Do You Agree? Justify. Explain the formal factors which influence Goal Congruence. **07**
- (b) Discuss the Impact of internet on MCS **07**

OR

- (b) Explain the type of Expense Centers. As a Head of Cadila Pharmaceuticals Ltd. Explain the difficulties & control issue arise if the Research & Development department treated as a cost center. **07**

- Q.3** (a) List the types of Responsibility centers. Distinguish between Profit Center & Revenue center. **07**
- (b) Explain the concept of Transfer Price & state the objective for designing the Transfer Price. **07**

OR

- Q.3** (a) Explain the advantages of Profit Center. **07**
- (b) Phillips India manufactures and sells lighting product. Phillips’s sales and marketing division are organized along product lines – wall sconces, recessed light, track light, and so on. The manufacturing division produces lighting products for all the sales and marketing division. **07**

During the planning process, each sales and marketing division specifies the quantity of each style of light to be manufactured. Senior management then assigns the task of manufacturing the lights to different plants in the manufacturing Division. Because manufacturing capacity is limited, some of the production is also outsourced. Senior management determines the manufacturing schedule on the basis of detailed studies that have been done to measure the time and cost of manufacturing different types of lighting products. Manufacturing managers are evaluated based on achieving target output within budgeted costs.

Required:-

1. Are the manufacturing plants in the Manufacturing Division cost center or profit center? Explain.
2. Phillips India is considering decentralizing its marketing & manufacturing decision by letting manufacturing and marketing managers directly negotiate the price for manufacturing various

products.

- a. How should Phillips evaluate manufacturing plant managers under this proposal?
- b. Would you recommend that Phillips India decentralize its marketing and manufacturing decision? Explain.

- Q.4 (a)** Explain two methods of relating profit to the investment base in contrast. **07**
(b) What are the limitations of variance analysis? Explain. **07**

OR

- Q.4 (a)** The Solomons company uses ROI to measure the performance of its operating divisions. A summary of the annual report from two divisions are shown below. The company's cost of capital is 12%. **07**

	Division A	Division B
Capital Invested	\$ 2,400	\$4,000
Net Income	\$ 480	\$ 720
ROI	20%	18%

Required:

- Which division is more profitable
- Suppose the manager of division A were offer a one-year project that would increase his investment base by \$ 1,000 and show a profit of \$ 150. Would the manager accept this project if he were evaluated on his divisional ROI? Should he accept the project?

- Q.4 (b)** Write a note on – Difficulties in implementing Performance Measurement System. **07**

- Q.5 (a)** Explain the Concept of Performance Measurement System & framework for designing PMS. **07**

- (b)** Discuss Balance Scorecard as a performance measurement framework – With help of an illustration. **07**

OR

- Q.5 (a)** Discuss various characteristics of incentive compensation plan and suggest an ideal compensation plan for corporate CEO and business unit managers. **07**

- (b)** Assam Lumber has a Raw Lumber division and finish lumber division. The variable cost are **07**

- Raw Lumber Division: Rs.1,000 per 100 board-feet of raw Lumber
- Finish Lumber Division: Rs.1, 250 per 100 board-feet of Finish Lumber.

Assume that there is no board-feet loss in processing Raw Lumber into Finish Lumber. Raw Lumber can be sold at Rs. 2,000 per 100 board-feet. Finish Lumber can be sold at 2,750 per 100 board-feet.

1. Should Assam Lumber process raw lumber into its finish form? Show your computations.
