Seat No.: ________ Enrolment No.___________

# GUJARAT TECHNOLOGICAL UNIVERSITY

**MBA - SEMESTER–IV • EXAMINATION – SUMMER 2013**

**Subject Code: 2840007** **Date: 16-05-2013**

**Subject Name: Management Control Systems**

**Time: 14:30pm – 17:30pm** **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)** Explain complex features of oranisation and management . Explain various elements of management control system What are initiatives taken by McNerney , CEO of 3M ? Explain . **07**

**(b)** Solve following transfer pricing problem division A of a company manufactures product x , which is sold to division B as component of product Y .Prodct Y is sold to division C , which uses it as a component in product Z . Product Z is sold directly in to the market . The intra company's transfer price is to transfer goods amongst divisions at the standard cost plus a 10 per cent return inventories and fixed assets . Calculate the transfer price for the product X and product Y and calculate standard cost for product Z from the following information : **07**

| Standard cost per unit | Product X | Product Y | Product Z |
|---|---|---|---|
| Materials purchased outside (Rs) | 3 | 4 | 5 |
| Direct Labour (Rs) | 1 | 1 | 2 |
| Variable overhead (Rs) | 1 | 1 | 2 |
| Fixed over head per unit (Rs) | 3 | 4 | 1 |
| Standard volume | 10,000 | 10,000 | 10,000 |
| Inventories average (Rs) | 70,000 | 15,000 | 30,000 |
| Fixed assets (net ) (Rs) | 30,000 | 45,000 | 16,000 |
| | | | |

**Q.2** **(a)** Explain fundamental principle underlying transfer pricing and ideal situation for implementing transfer pricing and constraints of sourcing **07**

**(b)** Why should we link controls to strategy ? What are implications for organisational structure ? Indicate different categories of corporate strategies and Implications of organisational structure : **07**

**OR**

**(b)** Explain in detail about responsibility centre and types of responsibility centres **07**

**Q.3** **(a)** Explain in detail of objectives and methods of performance evaluation of business managers . Discuss merits and demerits of each of methods of evaluation methods . **07**

**(b)** A manufacturing concern furnished the following information: **07**

Standard ( Budgeted )

| | |
|---|---|
| Material for 70 kg finished product | 100 kg |
| Price of materials | Re 1 per kg |
| Actual out put | 210 MT |
| Materials used | 280 MT |
| Cost of materials | Rs.252000 |

Calculate material variances :

**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 tonne 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 tonnes |
| | |

**(b)** What are limitations of financial related control systems ?How performance evaluation systems are better ? Explain special features of balance score card . **07**

**Q.4** **(a)** Distinguish between strategic planning and strategic formulation , Explain advantages and pitfalls of strategic planning from view point of management control . **07**

**(b)** What do you understand by operation budget and what are its characteristic features ? While distinguishing forecast from budget , explain advantages of budget . **07**

**OR**

**Q.4** **(a)** How standards are used to evaluate performance ? Explain limitations of variance analysis and standards . **07**

**(b)** "People are influenced by both positive and negative incentives " Validate the statement from research findings . **07**

**Q.5** **(a)** Discuss in detail of various incentive plans . **07**

**(b)** Explain the meaning , advantages and constraints of profit centres . **07**

**OR**

**Q.5** **(a)** Explain procedure of implementing performance measurement system in detail and difficulties in implementing the same . List out measurement practices . **07**

**(b)** Explain difficulties in measurement of performance of research centers citing examples . **07**

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