Seat No.: ________

Enrolment No.

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER– IV EXAMINATION – WINTER 2019

Subject Code: 2840007 **Date: 29-11-2019**

Subject Name: Management Control System

Time: 2.30 PM to 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.**
4.

Q. No. **6**

Q.1 (a) Objective Questions

Which of the following activities represents a top-down function of management control?

1.
   - A. Resource allocation; develop personal skills of lower-level managers and their subordinates.
   - B. Report on goal achievement; provide input when goals are unrealistic.
   - C. Enable lower-level managers to acquire the support and resources to execute their responsibilities.
   - D. Enable the coordination and cooperation with other decentralized units.

2. Which of the following statements is true?
   - A. Strategic variance analysis is the same as traditional variance analysis.
   - B. Strategic variance analysis means that traditional variance analysis is more firmly connected the company's and the respective business unit's strategy.
   - C. Strategic variance analysis means that focus lies on analyzing revenue variances in relation to the company's strategy.
   - D. Strategic variance analysis means that focus lies on analyzing expense variances in relation to the company's strategy.

3. A balanced scorecard proposes measures in the following four perspectives:
   - A. Financial, customer, internal business, employee.
   - B. Financial, customer, employee, innovation and learning.
   - C. Financial, internal business, employee, innovation and learning.
   - D. Financial, customer, internal business, innovation and learning.

4. If a company uses cost-based transfer prices, the usual cost basis is:

A.	Actual costs.	B.	Standard costs.
C.	Negotiated costs.	D.	Actual costs less standard costs.

5. Which of the following items is never budgeted?

A.	Budget deviations	B.	Investments
C.	Taxes	D.	Cash flow

6. Which of the following is not a common way of evaluating the performance of the profit center manager?

A.	Contribution margin.	B.	Net income.
C.	Residual income.	D.	Direct profit.

Q.1	**(b)**	1. Strategy Formulation 2. Operational Control 3. EVA 4. BSC	**04**
Q.1	**(c)**	Difference Between Strategy Formulation & Management Control System	**04**
Q.2	**(a)**	“The scope of MCS is not limited to the top-level management but it affects the whole organization” Are you agree with the statement? Why?	**07**
	(b)	Distinguish between corporate level strategy & business level strategy.	**07**
		OR	
	(b)	Discuss in detail of various incentive plans.	**07**
Q.3	**(a)**	Explain in detail about responsibility center & types of responsibility center.	**07**
	(b)	Explain advantage of profit center	**07**
		OR	
Q.3	**(a)**	What do you mean by transfer pricing? Discuss various methods of transfer pricing?	**07**
	(b)	Write a brief note on agency theory in compensation management.	**07**
Q.4	**(a)**	Explain behavioral aspect of budgeting in detail.	**07**
	(b)	Difference between EVA & ROI	**07**
		OR	
Q.4	**(a)**	Explain in detail of objective & methods of performance evaluation of business managers. Discuss merits & demerits of each of methods of evaluation.	**07**
	(b)	Distinguish between strategic planning & strategic formulation. Explain advantages & pitfalls of strategic planning from view point of management control.	**07**

Q.5 NR manufacturing concern furnished the following information **14**

Standard (Budgeted)

Material for 70 kg finished products	100 kg
Price of material	1 Re per kg
Actual output	210 MT
Materials used	280MT
Cost of material	2,52,000 Rs.

Calculate Material variances

OR

Q.5 The Swara Ltd. manufactures and sells music system. The Assembly Division assembles the music system sets. It buys the accessories for sets from the Accessory Division. The Accessory Division is operating at full capacity. The incremental cost of manufacturing the accessories is Rs. 70 per unit. The Accessory division can sell as many accessories as it wants in the outside market at price Rs. 110 per unit. If it sells in the outside market, the Accessory division will incur variable marketing and distributing cost of Rs. 4 per unit. Similarly, if the assembly division purchases accessories from outside market, it will incur variable purchasing cost Rs. 2 per unit. Suppose division managers' act autonomously to maximize their own division's operating income, and they were to negotiate a transfer price, what is the range of acceptable transfer price? **14**

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