

AC-132

April-2023

Int. MBA, Sem.-X

Management Control Systems

Time : 2:30 Hours]

[Max. Marks : 70

1. Answer the following questions : (any two) 14
- (1) Can Management Control Systems be described as an extension of management accounting ? Explain structure and process of MCS with appropriate example.
 - (2) 'Today's control will become tomorrow's strategy'. Do you agree ? Discuss.
 - (3) 'Under appropriate circumstances, even the production or marketing functions can be constituted as a profit center'. Do you agree ? Explain.

2. The relevant data for a period in respect of one of the divisions of an enterprise, manufacturing a single product, is as follows : 14

Product cost : Variable ₹ 2 per unit Fixed ₹ 80,000

Assets : Working capital ₹ 1,00,000 Fixed assets ₹ 2,00,000

The desired rate of return on the capital employed by the enterprise is 30% and the divisional manager has fixed the selling price of the product at ₹ 2.50 per unit.

Required :

- (i) Calculate the number of units which the division would produce and sell in order to achieve the target return.
- (ii) The product is also usable as raw material in another division of the same enterprise. It is proposed that out of total units manufactured as at (a) above, 60,000 units be transferred to the other division. The transfer price is a subject of discussion between the two divisional managers. The transferee is insisting that the price be fixed at ₹ 2.30 per unit, which is the price at which it can be procured from the market outside. On the other hand, transferor states that if no transfer is made and production is curtailed accordingly, there will be a reduction in the working capital, fixed assets and fixed cost to the extent of ₹ 10,000 each. You are required to give your comments regarding the proposed transfer price of ₹ 2.30 per unit.
- (iii) In case it is agreed that the transfer to the other division be made at a price of ₹ 2.30 per unit, at what price should the transferor sell the remaining units so as to maintain the desired return of 30% ? Alternatively, how many more units should it produce assuming that this will not entail any change in the fixed cost, the asset cost or the selling price ?

3. (a) Calculate possible sales variances from the following : 7
 A company manufactures valves in its plant. For the most recent year, the company budgeted sales of 50,000 units of its sole product with selling price of ₹ 100, assuming that the company would have 20% market share of total market of 2,50,000 units. The company could actually sell 45,000 units and total sales amounted to ₹ 42,75,000. Actual sales in the total market was 2,00,000 units.
- (b) Explain flexible budget and zero based budgeting. 7

OR

- (a) A company manufactures a single product which is in great demand. The manager submitted the following information : 10

Particulars	Capacity	
	40%	60%
Variable expenses :		
Materials	24,000	36,000
Wages	14,400	21,600
Overheads	9,600	14,400
Semi-variable expenses :		
Salaries	31,200	34,800
Production expenses	42,000	48,000
Fixed expenses :		
Depreciation	8,000	8,000
Advertisement	1,000	1,000

The production capacity at 100% utilization is 1,200 units. All variable expenses will decrease by 5% above 60% of capacity. It is expected that next year capacity utilization would be 75%. Prepare budget for the next year and determine the selling price per unit if profit is charged at 20% on sales ?

- (b) What do you mean by variances ? Make a list of various cost and revenue variances. 4
4. Answer any **two** from the following : 14
- (1) Discuss Balance Scorecard as a performance measurement framework with the help of an illustration.
 - (2) Explain various factors to be incorporated in an incentive system for getting greater chance of success and acceptance.
 - (3) Discuss various control methods which are used in present organizations.
5. (a) How is management control different in case of a service organization as compared to a manufacturing organization ? Explain. 7
- (b) Write a note on exchange rate exposures to Multinational Organizations and their management. 7