2/53

# 1605E623

Candidate's Seat No :

**M.B.A.-II (Sem.-III) Examination**
**Management Control Systems**
**May-2017**

## Subject : Management Control Systems (MCS)

**Time – 3 Hours** **Max. Marks – 100**

Q.1 Discuss the Following (Any Four) (5*4 = 20) 20

1. Budgetary Control
2. Profit Centre and Advantages
3. Exchange Rate and Exchange Rate Exposure
4. Elements of Control Process
5. Transfer Pricing Methods
6. Advantages of Revenue Centers

Q.2. A. What is Management Control System? Distinguish between strategy formulation, management control and task control giving examples of decisions to be taken in each. 10

B. "Responsibility Centers constitute the structure of management control system and it functions as performance measurement tool of the Managers." – Do you agree with the statement? Discuss. 10

Q-3. A. Jigar Enterprises is considering a capital project for which the following information is available. 10

| | |
|---|---|
| Initial Outlay – 2,00,000 | Depreciation Method – Straight Line |
| Project Life- 4 Years | Tax Rate – 30% |
| Salvage Value – 0 | Debt-Equity Ratio – 1:1 |
| Annual Revenues- 2,50,000 | Cost of Equity – 15% |
| Annual Costs – 1,60,000 | Cost of Debt (Post Tax) – 7% |

The initial outlay is entirely for acquiring fixed assets. Calculate the EVA of the project over its life.

B. What is Transfer Pricing? Why and How is it used? Explain with Example 10

OR

(P.T.O.)

E623-2

Q.3 A. Product of Ram Enterprises is sold to Shyam Enterprises as it is to be used as component of its products. Product of Shyam Enterprises is sold to Krishna Enterprises which uses it as a component of its products. Product of Krishna Enterprises is sold to customer outside of the company. The intra-company pricing rule is that products are transferred between divisions at standard cost plus a 10 percent return on inventories and fixed assets. From the information provided below, calculate the transfer price for Product of Ram and Shyam Enterprises : 10

| **Standard cost per unit** | **Product of Ram Enterprises** | **Product of Shyam Enterprises** | **Product of Krishna Enterprises** |
|---|---|---|---|
| Material Purchase Outside | 2 | 3 | 1 |
| Direct Labour | 1 | 1 | 2 |
| Variable Overhead | 1 | 1 | 2 |
| Fixed Overhead per unit | 3 | 4 | 1 |
| Standard Volume | 10,000 | 10,000 | 10,000 |
| Inventories (Average) | 70,000 | 15,000 | 30,000 |
| Fixed Assets (Net) | 30,000 | 45,000 | 16,000 |

B. Informal factors play a key role in achieving Goal Congruence in business Organization. Discuss. 10

Q.4 A. How would you measure assets employed? How do EVA and ROI differ? 10

B. What is Profit Centre? What are the advantages and Disadvantages of Profit Centre? 10

OR

Q.4 A. What is Balance Scorecard? What are its advantages? 10

B. Discuss the Exchange rate exposures to Multinational Organizations and their management. 10

Q.5 A. Explain the Management Control Process in Health Care Organizations and Non-profit organizations considering their special characteristics. 10

B. How does Management control of Projects different from Manufacturing Organizations? 10

OR

Q.5 A. What is Budgetary Control? Discuss the role of Zero Base Budgeting in Budgetary Control. 10

B. What are the types of Incentives for Business Unit Managers? 10