

AO-121

April-2022

MBA, Sem.-X

Management Control Systems

Time : 2 Hours]

[Max. Marks : 50

Instructions : All Questions in Section – I carry equal marks. Attempt any **THREE** questions in Section -I. Question VI in Section – II is compulsory.

Section – IAttempt any **three** questions out of **five** questions

1. (a) ‘Management Control is one of several types of planning and control activities that occur in an organization.’ In the light of this statement, discuss boundaries of Management Control. **(07)**
- (b) ‘Under appropriate circumstances, even the production or marketing functions can be constituted as a profit center.’ Do you agree ? Explain. **(07)**
2. Division A of a manufacturing company has set a target sales of 4,00,000 units of a product at a price to fetch a rate of return of 25% on the assets employed. The following data are available :

Fixed costs	₹ 8,00,000
Variable costs	Re. 1 per unit
Assets employed:	
Fixed assets	₹ 8,00,000
Current assets	₹ 16,00,000

The market can, however, absorb only 2,80,000 units. Consequently, division B is advised to buy 1, 20,000 units. Division A is willing to supply this quantity to division B at ₹ 4.50 per unit. Division B however wants it at ₹ 2.25 per unit. If A refuses to supply B its requirement of 1,20,000 units at ₹ 2.25 per unit and restricts its activity to 2,80,000 units of market sale, it could reduce the investment in stock to the tune of ₹ 1,60,000 and the fixed assets by ₹ 2,40,000. Besides, its selling expenses will also go down by ₹ 80,000.

You are required to prepare statements and advise division A for suitable course of action. **(14)**
3. (a) 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. Calculate industry volume variance and market penetration variance. **(07)**

- (b) Chemical Ltd. manufactures a product AB by mixing the following raw materials in the proportion shown below: (07)

Raw material	Product AB
A	80%
B	20%

The finished weight of product AB is equal to the weight of their ingredients. During the month of June, it is expected that 60 tons of AB will be sold. Actual and budgeted inventories for the month of June are as follows:

Material	Actual inventory (1 st June) Quantity (tons)	Budgeted inventory (30 th June) Quantity (tons)
A	15	20
B	10	40
Product AB	10	5

The purchase price of materials for June is expected to be as follows:

Material	A	B
Cost per ton (₹)	500	400

Prepare for the month of June:

- Production budget
- Material purchase budget

4. Explain Balanced Score Card as a tool for performance measurement. Also explain why it is called a Balanced Score Card with its limitations. (14)
5. (a) Write a note on how to deal with management control system for 'Apollo Hospital'. (07)
- (b) Explain various types of foreign exchange exposures faced by an MNC with example. (07)

Section – II

Choose the correct options for each of the following. (Any Four) (08)

A company has two profit centres. The following information is available with regard to them. Answer Q. 1 to Q. 5 based on the information given below:

Particulars	Profit centre – I	Profit centre - II
Operating profit	₹ 21,00,000	₹ 25,00,000
Sales	₹ 1,40,00,000	₹ 1,25,00,000
Assets turnover ratio	4	2

Desired rate of return on investment is 20%

1. Based on Net profit ratio, whose performance is better ?
- (a) Profit centre - I is better
- (b) Profit centre - II is better
- (c) Both have equal performance
- (d) Cannot be decided

2. Based on Return on Investment (ROI), whose performance is better ?
 - (a) Profit centre -I is better
 - (b) Profit centre - II is better
 - (c) Both have equal performance
 - (d) Cannot be decided

 3. What are the EVAs of profit centre I and II respectively ?
 - (a) ₹ 1,25,000 – ₹ 1,40,000
 - (b) ₹ 1,40,000 – ₹ 1,25,000
 - (c) ₹ 14,00,000 – ₹ 12,50,000
 - (d) None of the above

 4. Comparing ROI and EVA of profit centre I and II, which of the following statement is correct ?
 - (a) ROI and EVA both are resulting into same conclusion about performance of profit centres
 - (b) ROI and EVA both are resulting into different conclusion about performance of profit centres
 - (c) Performance cannot be judged based on ROI and EVA
 - (d) None of the above

 5. Comparing Net profit ratio (NPR) and ROI of profit centre I and II, which of the following statement is correct ?
 - (a) NPR and ROI both are resulting into same conclusion about performance of profit centres
 - (b) NPR and ROI both are resulting into different conclusion about performance of profit centres
 - (c) Performance cannot be judged based on NPR and ROI
 - (d) None of the above
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