



Seat No. : \_\_\_\_\_

# DI-113

December-2025

## MBA (SIBFT & DM), Sem.-III Management Control System

Time : 2:30 Hours]

[Max. Marks : 70

1. A mid-sized manufacturing company is experiencing delays, cost overruns, and inconsistent product quality across its divisions. Senior management believes that the root cause lies in weak coordination, lack of performance measurement, and unclear responsibility structures. Based on this situation :
    - (1) Explain the characteristics and objectives of a Management Control System (MCS) that the company should implement to improve decision-making, coordination, and accountability. 7
    - (2) Identify and discuss the critical components of an effective MCS, and analyze how each component would influence employee behaviour and overall organizational performance in this manufacturing setup. 7
  
  2. (A) The scope of management control system is not limited to the top-level management but it spread around the whole organization. Justify this statement. 7  
(B) What is goal congruence ? 7  
Critically examine the key factors that influence the achievement of goal congruence within an organization, and explain how these factors shape managerial behaviour and organizational performance.
- OR**
2. (A) Discuss the various methods of transfer pricing with suitable examples. 7  
(B) Critically analyze the fundamental differences and inherent similarities between a cost centre and a profit centre. 7
  
  3. Explain the Budget Setting Process and describe how budget acts as a part of overall business plan. Briefly explain the budgetary control system. 14

**OR**

3. A services company is facing declining employee motivation and increasing turnover. The HR department plans to redesign the reward and compensation system to improve performance and retain talent. Based on this situation : **14**  
What objectives should the company focus on while designing its reward and compensation system ?  
Describe the characteristics of an incentive compensation plan that would effectively enhance employee motivation and productivity in this context.

4. What are the characteristics of project organization ? How these characteristics affect the control system design of a project ? **14**

**OR**

4. What are the various special control issues faced by Multinational Corporations (MNCs) ? How do differences across countries alter the management control system ? **14**

5. Attempt any **seven** : (each question carries **2** marks) **14**

- (1) What do you mean by the Arm's Length Principle ? How does it support fair transfer pricing in control systems ?
- (2) Define strategy and state how the BCG matrix helps in formulating business unit strategy.
- (3) What is investment centre and why the investment centre established ?
- (4) Discuss the various types of short-term incentive plan.
- (5) State two ways in which management control systems help service organizations manage operations.

**MCQ type Questions :**

- (6) A profit centre differs from a revenue centre primarily because :
  - (a) It focuses only on revenue generation
  - (b) It is evaluated based on both revenue and controllable costs
  - (c) It does not influence pricing decisions
  - (d) It operates without budgeting constraints
- (7) The biggest limitation of using market-based transfer pricing in internal transactions is that :
  - (a) It eliminates the autonomy of divisional managers
  - (b) It may be unreliable when external markets are imperfect or volatile
  - (c) It always leads to suboptimal organizational decisions
  - (d) It ignores opportunity costs
- (8) A fundamental risk of incentive compensation plans is that they may :
  - (a) Increase fixed salary expenses
  - (b) Motivate employees to manipulate performance measures
  - (c) Reduce goal clarity in the organization
  - (d) Eliminate budgeting processes