V-A4-Ex-I-12-F-13

MMS - IV Sem. 30-04-2012
(University Exam.)

Con. 3238-12. Management Control System **KT-4514**

(FURTHER REVISED COURSE)

(3 Hours) **[Total Marks : 60**

N.B. : (1) Attempt any **three** questions from Question Nos. **1** to **6** : **each** carrying **12 Marks**.
(2) Attempt any **two** questions from Question Nos. **7** to **9** : **each** carrying **7 Marks.**
(3) Question No. **10** is **compulsory**, it carries **10 Marks**.

1. (a) What is a strategy ? Explain the concept of Corporate Strategy ?
   (b) Explain the Perspective of Management Control System.

2. (a) What is financial goal setting? Explain the techniques of financial forecasting.
   (b) From the following figures extracted from the books of Arvind Ltd, calculate the Return of Investment.

	₹ Lakhs
Fixed Assets	900
Current Assets	300
Investment in Govt. Securities	100
Sales	900
Cost of Goods Sold	450
10% Preference Share Capital	200
Equity Share Capital	300
Reserve and Surplus	255
15% Debentures	100
Income from Investments	10
Provision for tax	30%

3. (a) What is Goal congruence ? What is its importance in Management Control ?
   (b) Explain the formal control system in the organization.

4. (a) Explain the different types of Responsibility Centres.
   (b) What is a Profit Centre ? What are the general considerations for creating Profit Centres ?

5. (a) What are the different alternatives available for measuring the performance of a business unit ?
   (b) What is EVA ? How is it different from ROI ?

6. Write short notes on any **three** :—
   (a) Management Audit
   (b) Balanced Scorecard
   (c) Top Management Styles
   (d) Strategic Business Unit
   (e) Free Cash Flow.

7. Anuradha Ltd operates a number of divisions located at different regions. Division 'Y' has incurred losses in the first half of the current year 2011-2012.

   The revenue and cost data for this division are given below :—

Particulars	**₹ Lakhs**
Sales Revenue	15
Controllable Variable Cost	9
Controllable Fixed costs	3
Attributable segment costs	2
Common Firm wide costs allocated to this division	1.20

You are required to prepare a performance evaluation statement of division 'Y' and advice the management whether its operations should be continued or shut down.

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8. Jaypee Cements Ltd. used the Economic Value Added method for measuring divisional profit performance. The company charges each division a 5% return on its average current assets and a 10% return on its average fixed assets. The data related to the year ended on 31st March,2012 is given below:

Budgeted Data

	Division (₹ Lakhs)		
	X	*Y*	*Z*
Budgeted Profit	100	50	85
Budgeted Current Assets	100	200	300
Budgeted Fixed Assets	400	400	500

Actual Data

	Division (₹ Lakhs)		
	X	*Y*	*Z*
Profits	80	60	100
Current Assets	90	190	350
Fixed Assets	400	450	550

You are required to :—

(a) Calculate ROI, budgeted as well as actual

(b) Calculate EVA, budgeted as well as actual

(c) Compare the performance of the units under the two methods.

9. A Production department of a large Manufacturing Company has furnished the following data for March,2012.

Particulars	Budgeted (₹ Lakhs)	Actual (₹ Lakhs)
Direct Materials	5	5.10
Direct Labour	2.50	3.25
Consumable Stores (Fixed)	0.75	0.95
Repairs & Maintenance(₹ Lakhs Fixed)	2.00	2.20
Supervision (Fixed)	1.00	1.10
Factory Rent (Fixed)	0.50	0.50
Depreciation (Fixed)	1.00	1.00
Tools (Variable)	0.25	0.30
Power & Fuel (Variable)	1.50	1.80
Administration (Fixed)	2.50	2.65

The Department has 50 identified machines. During March,2012 the budgeted and actual production of the department was 10,000 and 12,500 units respectively. However, if the department is closed and the machine production services were hired from outside, the cost of hiring the services of similar machine would be ₹ 150 per unit.

You are required to present a report showing the evaluation of the performance of the department based on the concept of responsibility centre.

10. Z Ltd. is organized into two divisions. Division A produces a component which is used by division B in making a final product. The final product is sold at ₹ 200 each. Division A has a capacity to produce 2000 units and the entire quantity can be purchased by division B.

Division A informed that due to installation of a new machine, its depreciation cost has gone up and hence wants to increase the price of the component to be supplied to division B to ₹ 110. Division B, however, can buy the component from the outside market at ₹ 100 each. The variable cost of Division A is ₹ 85 and fixed cost ₹ 20 per component.

The variable costs of Division B in manufacturing the final product by using the component is ₹ 75 (excluding the component cost.)

Required: (a) If there are no alternative uses of the production facilities of A, will the company benefit if Division B buys outside supplies at ₹ 100 per component ?

(b) What should be the transfer price, if Division 'B' decides to buy from Division A ?

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