

MCS

Date: 20/11/2015  
MMS - TV  
University Paper

MMS - TV (University Paper) (ATKT)

Mgmt Control Systems

(3 Hours)

QP Code : 26002

[Total Marks : 60]

23-11-2015

## Instructions:

1. Question No. 1 is compulsory
2. Attempt Any Four Questions from Question Nos. 2 to Question No. 7
3. Figures to the right in the bracket indicates marks

- Q1 (A) Rasilee Enterprise has two divisions Kun-Juice and Fun-Juice. The financial details of Divisions for two years are as under. (10)

Divisions	Year	Sales	Variable Cost	Fixed Cost	Interest	Fixed Assets	Current Assets
Kun-Juice	2011	500	300	50	30	400	200
	2012	400	240	40	11	350	150
Fun-Juice	2011	600	360	80	30	400	200
	2012	800	480	120	40	500	300

Management evaluates the performance of the Divisional Manager on the basis of ROTA. Managerial compensation is linked to ROTA. Based on this criterion Manager of Kun-Juice was given higher compensation as she has improved ROTA of her division. Manager of Fun-Juice felt it unfair to judge him on this criterion. He has identified a new investment opportunity and improved sales. He felt he should be judged on the basis of Economic Value Added which directly contributes to the wealth of the shareholders. Fun-Juice has grown by 25% on sales and assets whereas Kan-Juice has contracted during this period both in sales and size of assets. Cost of equity is 10% and Tax Rate is 35%. Calculate ROTA and EVA for both divisions for both the years. Discuss the views raised by Manager of Fun-Juice.

- (B) What is internal audit? What are its objectives? Explain the importance of internal audit as management control process. (10)

## Q2 Answer Any Two from (A), (B) &amp; (C)

- (A) A manufacturing company is engaged in producing three types of products: R, S and T. The production department produces each day, components sufficient to make 50 units of R, 25 units of S and 30 units of T. The management is confronted with the problem of optimizing the daily production of products in assembly department where only 100 man-hours are available daily to assemble the products. The following additional information is available. (05)

Product	Contribution Per Unit (Rs.)	Assembly time per unit (Hours)
R	12	0.8
S	20	1.7
T	45	2.5

The company has a daily order commitment for 20 units of products A and a total of 15 units of products B and C. Formulate this problem as an LP model so as to maximize the total profit.

- (B) A Division of a company has a budgeted income of Rs 30 Lakh and budgeted investment of Rs 180 lakh. The average cost of capital for the firm is 10% p.a., determine the residual income.

- (C) From following data of Friends Ltd calculate EVA (05)

Particulars	Rs. In Crores		
Debt	30	Cost of Debt (Post Tax)	7.5%
Equity	540	Cost of Equity	15.0%
PAT	200		

## Q3 Answer Any Two from (A), (B) &amp; (C)

- (A) A company is currently working at 50% capacity. It sells 20000 units now. Price per unit is Rs. 100. The cost per unit is Rs. 90. The Break-up is as follows (05)

Material Cost	Rs. 40	Selling Cost	Rs. 10 (40% Fixed)
Manufacturing Cost	Rs. 30 (30% Fixed)	Administration Cost	Rs. 10 (50% Fixed)

When company works at 70% capacity the selling price would fall by 7.5% and material cost would go up by 5%. At full capacity the selling price would fall by 10% and material cost would increase by 7.5%. Calculate profit at each level. Should company work at full capacity?

[TURN OVER]

IQ-Con. 7834-15.

MUPD15593 VIDYA PRASAD  
DR. V. P. B. PRASAD  
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