

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA SEMESTER- IV - EXAMINATION-SUMMER-2024

Subject Code: 4549286
Subject Name: Management Control Systems
Time: 10:30 AM TO 01:30 PM

Date: 25/04/2024
Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.
4. Use of simple calculators and non-programmable scientific calculators are permitted.

- Q.1** Explain the Following Terms with the Suitable Example **14**
1. Management Control System
 2. Strategic Planning
 3. Discretionary Expense Center
 4. Responsibility accounting
 5. Compensations Plans
 6. Variance Analysis
 7. Budgeting
- Q.2** (a) Discuss and Differentiate between Task Control & Management Control. **07**
- (b) Discuss functions of Controller of an organization **07**
- OR**
- (b) Explain the concept of Responsibility Centre. Describe types of Responsibility Centre. **07**
- Q.3** (a) “An investment centre is necessarily a profit centre but a profit centre may not be an investment centre.” explain what are the different types of influences which an investment centre manager may exercise on their investment decision? **07**
- (b) Explain, how budgeting can be considered as a Management Control Tool. **07**
- OR**
- Q.3** (a) Define and differentiate between EVA and ROI **07**
- (b) What is transfer pricing? Explain any Two types of Transfer Pricing method with example. **07**
- Q.4** (a) Discuss various long term and short term incentive plans. **07**
- (b) Describe Balanced Scorecard method. What are its advantages? **07**

OR

- Q.4** (a) Explain the concept of Goal Congruence. Describe informal factors which affect Goal Congruence in the organization. **07**
- (b) What are the advantages of establishing organization units as profit centers? What are the difficulties? **07**

Q.5 **Case Study**

Little Friends Electronic Corporation, USA, was a defense contractor, which had dealt with Canada's defense department on several occasions. John Martins, president of the corporation, went to Canada for a meeting with top authorities of the defense department. At the meeting, the secretary of the defense department made a speech emphasizing the need for tighter control by defense contractors, especially at a time of inflation. The secretary said that the defense department had decided to pay more attention to the management practices of its defense contractors, and would consider favorably only those companies which had effective control systems. On his return to the US, Martins briefed his Vice President (administration) on the secretary's speech. He asked the Vice President to install an effective control system in the company. The Vice president turned to corporate controller asking him to make arrangements to install an effective control system. The controller met his staff assistant and ordered him to search for space literature that would guide them in installing an effective control system. He asked his assistant to submit a report on his work within a week.

At the end of the week, the assistant came back to the controller saying that he was not able to find literature pertaining to control systems although he had reviewed dozens of books and journals. The controller was unhappy with this excuse as he had to submit a report to the vice president the next day.

- (a) Do you think the staff assistant's approach to finding literature on installing a control system is right? Support your answer with reasons. **07**
- (b) Which type of Management Control Hierarchy should be suitable to this organization in your view? Justify your answer **07**

OR

- (a) What are the major factors that can Influence the Management Control System in an Organization? **07**
- (b) If you were the staff assistant, what would your suggestions, for an effective control system be? **07**
