

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA-SEMESTER-IV-EXAMINATION-SUMMER-2025

Subject Code: 4549286**Date: 03/06/2025****Subject Name: Management Control Systems****Time: 10:30 AM TO 01:30 PM****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. No.	Question Text and Description	Marks
Q.1	Explain following terms in brief	14
	1) Critical Success Factor	
	2) Negotiated transfer pricing	
	3) Flexible budgeting	
	4) Responsibility Accounting	
	5) Engineered expense centre	
	6) EVA	
	7) Investment Center	
Q.2	(A) What are the attributes of management control system? Discuss the behavioral aspects of management control system.	07
	(B) What is Goal Congruence? Discuss the formal and informal factors influence goal congruence.	07
	OR	
	(B) Discuss the similarities and difference between strategy formulation, task control and management control.	07
Q.3	(A) What are Responsibility center? Discuss the various responsibility centers and explains how units of an organization are designated as responsibility centers.	07
	(B) Every SBU is a Profit Centre, but every Profit Centre is not SBU What are the conditions that should be fulfilled to be converted into Profit Centre? What are the different ways to measure the performance of Profit Centre? Discuss the merits and demerits.	07
	OR	
Q.3	(A) Define Budgetary Control System and explains logical sequence for instituting it. How is budgetary system administrated? What are the behavioral problems encountered in Budgetary Control System?	07
	(B) Define Transfer pricing. Describe the various transfer pricing methods in detail.	07
Q.4	(A) What is BSC? Why is it superior to other methods of Performance Appraisal? Prepare BSC for any organization you are familiar with	07
	(B) What are the characteristics of service organization? Discuss the management control system in financial sector	07
	OR	
Q.4	(A) What do you mean by Performance Measurement System? Explain various types of metrics used in performance measurement.	07

- (B) Describe the wide range of options available for corporate officers and business unit managers in developing compensation plan. **07**

Q.5 Case Study

Pioneer Company is a highly diversified company which grants its division executives a significant amount of authority in operating the divisions. Each division is responsible for its own sales, pricing, production, and cost of operations and the management of accounts receivables, inventories, accounts payables and use of existing facilities. Cash is managed by Corporate headquarters, all cash in excess of normal operating needs of the divisions is transferred periodically to corporate headquarters for redistributions or investment.

The division executives are responsible for presenting requests to corporate management for investment projects. The proposals are analyzed and documented at corporate headquarters. The final decision to commit funds to acquire equipment, to expand existing facilities, or for other investment projects is necessitated by Pioneer's Capital allocation policy.

The corporation evaluates the performance of division executives by the return on investment (ROI) measures. The asset base is comprised of fixed assets employed plus working capital exclusive of cash.

The ROI performance of division executive is the most important appraisal factor for salary changes. In addition, the annual performance bonus is based on the ROI results, with increase in ROI having a significant impact on the amount of the bonus.

The Pioneer Corporation adopted the ROI performance measure and related compensation procedures about 10 years ago. The company did so to increase the awareness of divisional management of the importance of the profit asset relationship and to provide additional incentive to the division executives to seek investment opportunities.

The company seems to have benefited from the program. The ROI for the corporation as a whole increased during the first years of the program. Although the ROI has continued to grow in each division, the corporate ROI has declined in recent years. The corporation has accumulated a sizeable amount of cash and short – term marketable securities in the past 3 years.

The corporate management is concerned about the increase in the short-term marketable securities. A recent article in a financial publication suggested that the use of ROI was over emphasized by some companies, with results similar to those experienced by Pioneer

- (A) Describe the specific actions divisions managers might have taken to cause the ROI to grow in each division but decline for the company. Illustrate your explanation with appropriate examples **07**

- (B) Explain using the concepts of goal congruence and motivation of division executives, how Pioneer's over emphasis on the use of the ROI measure might result in the recent decline in the company's return on investment and the increase in cash and short-term marketable securities. **07**

OR

- Q.5 (A)** What changes could be made in Pioneer Company's Corporation policy to avoid this problem? Explain your answer. **07**
- Q.5 (B)** Suggest the best strategy to overcome situation. **07**
