

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

Subject Code: 4549286

Date: 16/12/2024

Subject Name: Management Control Systems

Time: 02:30 PM TO 05:30 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.1 Explain the Following Terms 14**
1. Control System
 2. Cost based Transfer Price
 3. Goal Congruence
 4. Strategic Planning
 5. Investment Center
 6. Formal Control System
 7. Performance Measurement System
- Q.2 (a) Discuss and Differentiate between Task Control & Management Control. 07**
- (b) Explain the concept of Responsibility Centre. Describe types of Responsibility Centre. 07**
- OR**
- (b) Explain similarities and differences between a Revenue Center and an Expense Center. 07**
- Q.3 (a) Write a Detailed note on “Profit Center”. 07**
- (b) Compare and Contrast between EVA and ROI. 07**
- OR**
- Q.3 (a) Describe the concept of “Transfer Pricing” in detail. 07**
- (b) What is Budget? Explain various types of budget prepared by the Management of the Company. 07**
- Q.4 (a) Which kind of different strategic measures are required to consider for designing a Performance measurement system for an organization? 07**
- (b) Explain the concept of Goal Congruence. Describe various factors affecting to Goal Congruence in the organization. 07**
- OR**
- Q.4 (a) Discuss various long term and short term incentive plans. 07**
- (b) Describe Balanced Scorecard method. What are its advantages? 07**

Q.5 Case Study :-

IBM Electronic makes three products P, Q and R. P is for an exclusive segment. Q is for upper class, not so exclusive segment. R is for mass segment. They have different brand names and are sold through different distribution channels. IBM Electronics consider P, Q and R as separate divisions. The manufacturing lines are also divisionalized. But some components are common between them. IBM centrally buys some of these components and allows each of the divisions to specialize in the manufacture of particular components which are them not purchased from outside sources. These decisions to make these components are made for many complex reasons. From past records, it was noticed, Divisions P innovates in new products which are then incorporated by Divisions Q and R. conversely, Division R has a track record of excellent process innovations that reduce costs and these are picked up by P and Q.

(a) Should P, Q and R be profit centers? If yes, should they provide a bonus on their individual profits? If no how do we encourage them for improvement? **07**

(b) What should be the transfer price policy between them for components or cost centers? **07**

OR

(a) Should central purchase costs be transferred to the divisions? If yes what should be the basis? **07**

(b) If you have been assigned to manage the transfer pricing issues of the company then, what should be your effective strategy? **07**
