

Enrollment No.: \_\_\_\_\_

Seat No.: \_\_\_\_\_

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA - SEMESTER - IV EXAMINATION - WINTER 2025**

Subject Code: 4549286

Date: 18-12-2025

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. Goal Congruence
  2. Profit centers
  3. EVA
  4. Task Control
  5. Interactive control
  6. PMS
  7. Responsibility Accounting
- Q.2** (a) What do you mean by Interactive Control? How it can be useful to the Business Organizations? **07**
- (b) What is the meaning of responsibility centre? What are the difficulties in establishing research and development as responsibility centre? **07**
- OR**
- (b) Discuss the performance measurement system. **07**
- Q.3** (a) What is strategic planning? Discuss the benefits and limitations of strategic planning. **07**
- (b) Explain the concept of Expense center. Discuss the major types of Expense centers in detail with suitable examples. **07**
- OR**
- Q.3** (a) Define EVA and ROI. Explain advantages and disadvantages of EVA and ROI. **07**
- (b) Discuss various methods of performance evaluation of various corporate managers. **07**
- Q.4** (a) Discuss various types of variances of financial performance reports. **07**
- (b) Describe the special characteristics of Non-Profit Organization. How management control systems of Non-Profit Organization differ from Profit Organization? **07**
- OR**
- Q.4** (a) How corporate level strategy is to be formulated in single industry firms and in unrelated diversified firms? – Explain with an example. **07**
- (b) What is Goal Congruence? Discuss factors affecting Goal congruence. **07**

**CASE STUDY: Balanced Score card at Philips:**

- After a dismal financial performance during the 1990s, Netherlands based Philips embarked on a restructuring exercise, to turn the company around. Due to high manufacturing costs, the products could not be priced competitively. This led to the company initiating job cuts, selling unprofitable businesses and closing down several manufacturing facilities. Rapid changes in the external business environment and growing competition due to Asian manufacturers made Philips realize the need to transform into a flexible organization and shift focus from high-volume business to high-value business.
- In order to bring in the desired change, Philips embarked on an improvement program, in all its divisions and departments across the world, encompassing all the employees. The program called Business Excellence through Speed and Teamwork (BEST) was introduced.
- BEST was a company-wide initiative aimed at achieving excellence in every aspect of business which included Balanced Scorecard. It was used to communicate the strategy across Philips' divisions that had more than 120,000 employees spread across 150 countries. The Balanced Scorecard enabled the employees understand the existing policies, and plans for the future.
- The top management, and all the divisions identified the factors that were important to create value and they were grouped under four perspectives - competence, process, customers and financial. After establishing the 'Critical Success Factors' (CSFs), key indicators to measure the CSFs were decided. Some of the indicators like achieving revenue growth, employee satisfaction, and customer satisfaction were common for all the business units while other indicators differed.

**The Need and Implementation of Balanced Scorecard:**

- During the late 1990s the external environment was changing rapidly and Philips needed to respond quickly to these changes. However, the existing organization structure at Philips did not support this kind of change. The company's operations were spread across several countries, and the products were most often sold in the country in which they were manufactured.
- At the same time, the growing influence of Asian companies like LG and Samsung increased competition in the businesses in which Philips was operating. These changes made Philips realize that its operations needed to be more flexible, more innovative, and value adding. A silo mentality had developed in the organization due to years of bureaucracy..
- At Philips, the initiative to implement the Balanced Scorecard system came from the top management at its headquarters in the Netherlands. All the subsidiaries of Philips across the world were instructed by their quality departments on how to go about the implementation.

**Measuring Results:**

During the periodical management reviews, Philips used the traffic light system with the green light indicating a target that had been met, amber indicating performance in line with the target, and red denoting a problem area, to measure the level of achievement of the key indicators. The employees were more loyal to the business unit in which they were working rather than the company as a whole.

- (a) Explain in brief the problems faced by Philips and its causes. **07**
- (b) Explain how the implementation of Balanced Scorecard model can help in improving the performance of the organization. **07**

**OR**

- Q.5** (a) Explain the role of senior management in initiating and implementing business transformation initiatives **07**
- (b) Explain the concept of Balanced Scorecard with reference to above case study **07**

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