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manager of division wants to supply him some information prior to the discussions. Division A has been selling 40,000 units to outsiders and 10,000 units to division B, all at Rs 20 per unit. It is not anticipated that these demands will change the variable cost is Rs 12 per unit and the fixed costs are Rs 2 lakh. The manager of division A anticipate that division B wants a transfer price of Rs 18 per unit. If he does not sell to division B, Rs 30,000 of fixed costs can be avoided.

Required:

- (a) Should the manager A transfer its product KT at Rs 18 to division B?
- (b) What is the lowest price that division A should accept? Support your answer with proper calculations. 5+5

Unit-IV

8. State the difference between management control systems in service organizations and those in manufacturing organisations. (10)
9. What are the distinguishing features of non-profit organisations? Suggest suitable management control systems for non-profit organisations. 5+5

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(Printed Pages 8)

Roll No. \_\_\_\_\_

MS-3098

M.B.A. (Semester-IV) Examination, 2015

MANAGEMENT CONTROL SYSTEMS

(FP-424)

*Time Allowed : Three Hours ] [ Maximum Marks : 70*

Note : Answer five questions in all. Question No.

1 is compulsory. Attempt one question from each unit. Use of Financial/Scientific calculator is permitted.

1. Read the attached case and answer the questions based on the case.

Big Bazaar is a chain of department stores owned by Pantaloon Retail India Limited, Future Group. It works on the economy model as Wall Mart and has been successful in many Indian cities and small towns. Big Bazar is the destination where you get products available at prices lower than the MRP, setting a new level of standards in price, convenience and quality. The idea was pioneered by entrepre-

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neur Mr. Kishore Biyani, CEO of Future Group. Future Group's vision is to, "deliver Everything Everywhere, Every time to Every Indian Consumer in the most profitable manner." The group considers 'Indian-ness' as core value and its corporate credo is-Rewrite rules, retain values.

Big Bazaar people management system is built on 5 pillars of people based growth namely, culture building performance management through Balanced Score Card, People Processes, Management Processes and Leadership Excellence. Big Bazaar organisation structure is headed by managing director. It follows an inverse pyramid structure, as a result decisions are taken closet to the point of customer action. Sales executives are encouraged to think customer first. They are empowered to run their respective departments like small organisations owners. Leadership is a value that is followed by one and all at Pantaloons Retail. Work is a unique mix of preserving core Indian values and yet providing customers with a service, at par with international standards.

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the summary of the results at 31<sup>st</sup> March 2015:

Plant	Revenue	Expenses	Investment in assets
Mumbai	Rs.9,50,00	Rs.5,20,000	Rs.92,00,000
Chennai	11,00,000	3,90,000	80,00,000
Lucknow	17,25,000	5,25,000	2,40,00,000

Required:

- (a) If the plants are treated as profit centres, which plant manager has done the best job?
  - (b) If the plants are treated as investment centres, which plant manager has done the best job?
  - (c) Do the results of profit centres and investment centres give different findings? If so, why? 3+3+4
7. The Royal Industries Limited has two divisions, A & B. Division A manufactures product K which it sells in an outside market as well as to division B Which processes it further to manufacture product KT. The manager of division B has expressed the opinion that the transfer price is too high. The two divisional managers are about to enter into discussions to the conflict, and the

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swipe while at the time of entering and leaving the store. Employees mentoring and grievance management programmes are intended to facilitate a friendly and cohesive organisation culture. Offsite activities are encouraged to improve interpersonal relationship. An employee suggestion programme called 'prerna' has been introduced for viewing employees' suggestions. Every quarter the best suggestion received per zone per format is awarded prize called Golden Cap.

To conclude Big Bazaar enjoys the early entry into the retail industry. It has a diversified business operating all over India with vast range of products under one roof. It has yet penetrate vast Indian rural market and smaller cities of India. It also has the scope of entering into manufacturing sector. Some of the challenges Big Bazaar to cope with are expanding retail competition in India, very thin and reducing profit margin and high business risk.

Questions: 3 × 10

(a) What are the important features of man-

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agement control system at Big Bazaar?

- (b) Identify the financial and behavioural tools of management control systems used for the success of Big Bazaar chain of department stores in India.
- (c) Suggest measures to further consolidate the management control systems at Big Bazaar.

#### Unit I

2. (a) How is the organisational control system different from the simple control system? Discuss.
- (b) Explain the relationship and role of management control system with respect to strategy formulation and task control.
- 5+5
3. (a) Bring out the significance of organisational structure, culture and goal congruence in management control process.
- (b) Critically evaluate the determinants of management control system in a given organisation.
- 5+5

#### Unit II

4. Differentiate between rolling and zero-base

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budgeting system. What are the situations when zero-base budgeting becomes necessary to adopt?

5. (a) The budgeted prices for materials and direct labour per unit of finished product are Rs 12 and Rs 5 respectively. The production manager is delighted about the following data:

Inputs	Static budget	Actual costs	Variance
Direct material	Rs. 96,000	Rs. 90,000	Rs. 6,000
Direct Labour	40,000	37,600	2,400

Is the manager's happiness justified? Prepare a report that might provide a more detailed explanation of why the static budget was not achieved. Products output was 6,800 units.

- (b) Distinguish between engineered expenses and discretionary expenses from the view point of budgetary control. 5+5

### Unit III

6. Alex & Company has production plants at Mumbai, Chennai and Lucknow. Following is

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At big Bazar, employees are motivated through various ways such as feeling attached, good wages, good working conditions, job security, full appreciation of work done, tactful disciplining, employer loyalty to employees, interesting work, promotion and growth in the organisation. The employees are rewarded suitably with attractive pay packages. The salary of employees include basic pay, HRA, special allowance, PF, ESI, Medical claim etc. annual bonus is given at the time of Diwali. Employees and their dependants are entitled for medical treatment in recognised hospitals with cashless hospitalisation. In addition to this all the employees are given a card known as 'Employees Discount Card (EDC)' through which they can buy any product at Big Bazaar at a special discount of 20 to 30 percent.

An employee during his probationary period is entitled for 7 days of leave. A confirmed employee is entitled for 30 days leave in a year. There is only one type of leave the employees can take which is known as All Purpose Leave (APL). All the employee are given identity cards which they have to wear and also