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Unit-IV

8. Write the significance of budgetary control and differentiate between rolling over budgeting and zero base budgeting. 10
9. What is meant by management control systems for differentiated organisations? Identify the various internal and external considerations variably used for differentiated organisations. 10

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Roll No. _____

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M. B. A. (M.S.) (Semester-II)

Examination, 2015

Management Control System

(MS-021)

Time Allowed : Three Hours] [Maximum Marks : 70

Note : Answer five questions in all. Question No.1 is compulsory. In addition attempt one question from each of the four Units.

1. Read the following case carefully and answer the question following it. (4 × 7½ = 30)

Case Study - Management Control Systems at Glaxo India

Glaxo India Limited is a large pharmaceutical company with large manufacturing base and an all India marketing network. The company experienced the problems because of Government's policy towards multinationals,

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inflationary pressures, and internal organisational problems. When the new managing director was appointed in 1973, a decision was taken to implement MBO and a senior manager was appointed as MBO director. MBO was introduced with the identification of corporate objectives and KRAs. The company adopted a group approach to objective setting at the corporate, divisional and departmental levels. Initially there were 48 work groups which were later reduced to 37. The objective setting process consisted of the following steps:

1. The corporate group issues guidelines to the division for expected results;
2. The divisions indicate their capabilities as also the requirement for additional resources;
3. Corporate objectives are established;
4. Divisional objectives are finalised;
5. Company's budget is compiled;

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Unit-III

6. (a) What is meant by goal congruence under transfer pricing? How can the goal congruence be realized under transfer pricing mechanism? 5 + 5
(b) Compare and contrast cost based transfer pricing and market based transfer pricing.
7. Division A of a company has a product k that can be sold either to division B or outside customer. The cost and revenue structure of two divisions are given below:
Division A:
Market selling price Rs. 60
Variable cost Rs. 32
Division B:
Final market price Rs. 210
Transfer price from division A Rs. 60
Variable cost added in division B Rs. 80
Required:
What transfer price would you suggest between the two divisions? What would be the profit of whole company at this price? 5 + 5

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sistance among senior managers to the change in management styles. However, the managing director's personal commitment was of a very high quality and, of the contributions made indicated improvements in the following areas:

1. The quality of contribution of the corporate and divisional directors and their senior managers to the business discussion from which corporate and divisional plans are evolved;
2. The logic, balance, and the quality of expression in these plans; and
3. The actual setting of objectives with attainable stretch.

The business results of the company also improved after the implementation of MBO. This was attributed to MBO and reorganisation of structure. This, in turn, also reinforced the positive attitude towards MBO.

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Questions:

- (a) Identify and explain the management control systems related problems present in Glaxo India.
- (b) What are the steps taken to address the problems in Glaxo India?
- (c) Explain the problems relating to the implantation of reforms faced by the executive managers in the given organisation.
- (d) Suggest further measures to consolidate management control systems at Glaxo India.

Unit-I

2. (a) What is 'cybernetic paradigm'? How is it helpful in management control system?
(b) Differentiate between management control systems and task control. 5+5
3. Discuss various types of control systems that are successfully used in an organisation. How do organisational structure, culture and hu-

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man resource affect the design of management control system of any given organisation?

10

Unit-I I

4. Write the significance of responsibility accounting for an organisational management control systems. How would you appraise the performance of cost centres, profit centres and investment centres? 10
5. A company has 10 cars in operation. The budget for the transport department based on 25,000 km of run for a month is Rs. 87,500 out of which a sum of Rs. 25,000 is fixed. During the last month, the total distance run by all the 10 cars were 22,400 km and the costs incurred were Rs. 83,150. The price for hiring a car had been Rs. 5 km. you are required to: 5+5
- (a) Evaluate the performance of the transport department on the basis of cost center, and
- (b) Evaluate the performance of transport department on the basis of Profit centre.

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6. Departmental objectives are established;
7. Result guides for managers are renewed.
- The corporate and divisional objectives in Glaxo are set for three years. Renewal takes place every year. The emphasis in MBO at Glaxo is on strengthening the planning and control systems at different levels and on team building and participate action planning.
- The company changed its structure from functional to divisional basis. This was done before the implementation of MBO. It was recognised that the existing structure on functional basis had problems of coordination, conflict, and accountability. Therefore, Glaxo was reorganised into three profit centres/operating divisions-pharmaceutical, food, and chemicals, besides a number of corporate departments. The new structure made impact on the morale and performance by providing clarity in role and objectives. This also facilitated the implementation of MBO. The initial process of MBO implementation was slow and encountered several problems. There was re-

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