



SB-4102

**M.B.A. (FT) (Sem. - IV) (REG), (THM) (REG) &
(EVE) (Sem.-IV) (REG) Examination**

March/April – 2011

**CP - 401 : Management Control System
(New Course)**

Time : 3 Hours]

[Total Marks : 100

Instructions :

(1)

नीचे दर्शाविए निशान्तीवाणी विगतो उत्तरवडी पर अवश्य लखवी.
Fillup strictly the details of signs on your answer book.

Name of the Examination :
M.B.A. (FT) (Sem. - IV) (REG), (THM) (REG) & (EVE) (Sem.-IV)
(REG)

Name of the Subject :
CP - 401 : Management Control System (New)

Subject Code No. : 4 1 0 2 Section No. (1, 2,.....): NIL

Seat No. :

Student's Signature

- (2) Question No. 1 and Question No.7 are compulsory.
(3) Attempt any four questions from question No. 2,3,4,5 and 6.

- 1 What is responsibility centres ? Explain in detail the profit and expense centres. 15
- 2 What are the issues involved in drafting management control system in a Non-profit organization ? 15
- 3 (a) Disucss in detail management control process. 10
(b) Comment on the following statement made by an assembly worker to his supervisor. "Standards as just pressure device used by management to criticize employees. Nobody ever achieves the standards." 5
- 4 "Information is a critical resource in the operation and management of organization." Discuss the statement in light of information system as a support to management control with a help of an example. 15

- 5 Identify the key variables for power sector. Give a detailed explanation of each variable and justify why it is a key variable. 15
- 6 Write short notes on : (any two) 15
- (i) Performance Measurement
 - (ii) BCG Matrix
 - (iii) Transfer Pricing as a tool to Management Control.
 - (iv) Strategic Planning
 - (v) Compensation Management.
- 7 Read the case and answer the questions given at the end of it. 25

In the 3 years since he had been appointed as Manager of Mobile Communications Division (MCD) of ATC, Joe supervised the preparation of two sets of annual budget numbers. When ATC's bottom up budgeting process began, Joe instructed his subordinates to set aggressive performance targets, because he believed that such targets would push everyone to perform at his best. Before Joe presented his budget to the supervisors, he added some management's judgement. He made the forecasts of the future more pessimistic and he added some allowances for the performance contingencies to create what he called an easy plan. Sometimes, the corporate managers questioned some of Joe's forecasts and asked him to raise his sales and profit targets. However, MCD operated in a rapidly growing, uncertain market, which Joe understood better than his superiors. Joe was a skillful and forceful negotiator. In each of the last three years, the end result was that the targets in the official budget for MCD were highly achievable. MCD's performance had exceeded the targets in the easy plan by an average of 40% and Joe earned large bonuses. Joe did not show his superiors the targets that his subordinates were working towards, but some of Joe's direct reports were aware of the existence of the easy plans.

In his subjective evaluation of his subordinates' performance for the purpose of assigning bonuses and merit raises, Joe

compared actual performance with the aggressive budgets. In the fast three years, only 25% of the aggressive targets had been achieved. Joe did not fire any of his managers for failing to achieve the targets, but he reserved the vast majority of the discretionary rewards for the managers who had not achieved their targets.

- (i) Analyze the case and define the problem if any.
- (ii) Comment on Joe's way of budgeting.
- (iii) Comment on the control system of the company and suggest the modifications if required.
