Time: 3 Hours **MMS Semester IV (Further Revised)** **Total Marks: 60**

Instructions

1. **Attempt Any Six Questions from Question No. 1 to Question No. 9 each carries 6 marks**
2. **Attempt Any Two Questions from Question No. 10 to Question No. 12 each carries 7 marks**
3. **Question No. 13 is compulsory carrying 10 Marks**
4. **Figures in the bracket to the right indicate Marks**

Q 1 Explain the factors that should be considered while designing management control systems. **(Marks 6)**

Q 2 Explain the term Return on Investment (ROI) and state its advantage. (**Marks 6)**

Q 3 What is an organizational behavior? Why do the managers need a conceptual framework for studying behavior in the organization? **(Marks 6)**

Q 4 What is a responsibility center and give examples explaining the nature of the responsibility center **(Marks 6)**

Q 5 Explain the different types of Transfer Pricing. **(Marks 6)**

Q 6 Every Strategic Business Unit is a Profit Center but every Profit Center is not a Strategic Business Unit. Explain. **(Marks 6)**

Q 7 How is measurement of asset carried out? **(Marks 6)**

Q 8 Explain the methods available for measurement of performance of investment centers. **(Marks 6)**

Q 9 Enumerate the differences among following types of audits: **(Marks 6)**

1. Cost Audit
2. Statutory Audit
3. Management Audit

Q 10 ABC Company has three machines. The details of the machines are as under:

Year of Purchase	**Cost (Rs)**	**Life in Years**	**Rate of Depreciation**	**Price Index**
2004	75,000	10	5%	100
2007	90,000	20	10%	150
2013	1,25,000	25	6%	200

Prepare a statement of revaluation of assets and depreciation. **(Marks 7)**

Turn Over

Q 11 The Budget versus Actual comparison for Division XYZ of Coordinate Company at the end of half year is as Follows

Head	Budgeted (Lakhs)	Actual (Lakhs)
Sales	400	370
Material and Other Variable Costs	240	218
Employee and other fixed costs	60	60
Sales promotion	20	14
Operating Profit	80	78
Net Working Capital	200	206
Fixed Assets	80	74

For this division, which areas of performance would you like to investigate and what would be the corrective action, if any, you would like to put in place? **(Marks 7)**

Q 12 A factory is currently working at 50% capacity and produces 10,000 units. At 60% capacity utilization raw material cost increases by 2% and selling price falls by 2%. At 80% capacity utilization, raw material cost increase by 5% and selling price fall by 5%. At 50% working the product cost Rs. 180/- and is sold at Rs. 200 per unit. The unit cost if Rs. 180 is made up as follows:

Material – Rs. 100, Labor – Rs. 30, Factory Overhead – Rs. 30 (40% of Fixed), Administrative Overhead – Rs. 20 (50% of Fixed)

Estimate profits at all three levels of capacity utilization. (Marks 7)

Q 13 The operating results of a manufacturing company for the current year are given below:

		Figures in Rs Lakhs	
Sales (40,000 Units)		480	
Less	Trade discount	24	
	Net Sales		456
Less	**Cost of Sales**		
	Materials	144	
	Labour	126	
	Factory Overheads	63	
	Administrative overheads	36	
	Selling and distribution overheads	45	
			414
	Profit		42

The following changes are anticipated during the next year:

a) Units to be sold to increase by 25%
b) Material prices to increase by 15%
c) Labour charges to increase by 12%
d) Overheads- Factory overheads will be limited to Rs 65 Lacs; administrative and selling and distribution overheads are estimated to increase by 10% and 15% respectively.
e) Profit target for the year is Rs 60 lacs

Calculate the selling price and present the budgeted operating results, for the next year **(Marks 10)**

OR

Division A of Ananya Limited manufactures product X, which is sold to Division B as a component of product Y. Product Y is sold to Division C, which uses it as a component of Product Z. Product Z is sold to customers outside of the Company.

I. Calculate the transfer price for Product X and Product Y as shown by Division A and Division B
II. Calculate the transfer cost for Product X and Product Y as shown by Division B and Division C
III. Calculate the minimum selling price for Product Z to outside customer.
IV. If due to outside competition if company can sell this product only at Rs.400 should they continue to manufacture this product **(10 Marks)**

Division	A	B	C
Particulars	Product X	Product Y	Product Z
Capacity (no's)	6000	5000	4000
Cost of Production			
Material Cost per unit Rs.	20	10	25
Processing Cost per unit Rs.	40	15	20
Annual Fixed Cost Rs.	240000	312000	360000
Investments			
Fixed Assets Rs	2000000	2400000	3000000
Targeted ROI %	10	12	14
Current Assets Rs	1600000	2400000	1800000
Targeted ROI %	14	12	10
