

2010

MASTER OF BUSINESS ADMINISTRATION

[Third Semester Examination]

(Management Control System and Auditing)

[Specialisation : Financial Management]

PAPER—F 304

Full Marks : 100

Time : 3 hours

The figures in the right-hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

Illustrate the answers wherever necessary

**Write the answers to questions of each Half
in separate books**

(Turn Over)

FIRST HALF

[Marks : 50]

1. Answer any *four* questions : 5 x
- (a) What do you mean by a Responsibility Centre ? How can you classify them ? How can a responsibility centre be identified ?
 - (b) Define Performance Budgeting. Identify the limitations of conventional budgeting in the context of performance budgeting.
 - (c) What is Transfer Pricing ? How can transfer pricing strategy be used by a firm to minimise its overall tax liability ?
 - (d) Why is divisional performance evaluation necessary ? How can it lead to develop lack of goal congruence ? What performance evaluation tool can you suggest to overcome the problem of lacking goal congruence ?

- (e) Define Budgetary Control. From the definition identify and explain the basic steps in it.
- (f) What are the steps in Zero Base Budgeting ? Explain in this context the concept of Decision Unit. How can a decision unit be identified in an organisation ?

2. Answer any *two* questions : 10 x 2

(a) M/s Janadaradi Supplier produces and markets a very popular product called 'Panacea'. It is a composition of Vitamin B and Vitamin C. The company is interested in presenting its budget for the first quarter of 2011. The following information is available for this purpose :

- (i) It expects to sell 45,000 bottles of Panacea during the first quarter of 2011.
- (ii) Each bottle of Panacea requires 3 kgs. of a raw material from which Vitamin B is available and 7 kgs. of another raw material for the required Vitamin C.

(iii) Stock levels are planned as follows :

Items	Opening	Closing
Bottles filled with Panacea (Nos.)	12,000	15,000
Raw Materials :		
For Vitamin B (kgs.)	32,000	25,000
For Vitamin C (kgs.)	47,000	57,000
Empty bottles (Nos.)	30,000	28,000

(iv) Vitamin B-raw material costs Rs. 1.50 per kg., Vitamin C-raw material costs only Re. 0.50 per kg., and empty bottle cost Rs. 1.20 each.

(v) It requires 10 minutes of direct labour time to produce and fill one empty bottle of Panacea. Labour cost is Rs. 80 for a 8-hour day working.

(vi) Variable manufacturing costs are : Re. 0.8 per bottle.

You are required to :

(x) Prepare a production Budget for the said quarter ;

- (y) Prepare a Raw Material Purchase Budget for Vitamin B- and Vitamin C-raw materials and also for the empty bottles (in quantities and as well as in rupees);
- (z) Compute the budgeted variable cost to produce one bottle of Panacea. 2 + 2 + 6

(b) A and Co. Ltd. has furnished the following data for the month of February, 2011 :

Particulars	Budgeted	Actual
1. Number of working days	26	25
2. Production in units	45,000	42,000
3. Fixed overheads (Rs.)	60,000	58,000

Budgeted Fixed Overhead Rate was Re. 1 per machine hour. Actual machine hours worked in February, 2011 were 59,000.

You are required to compute all possible Fixed Overhead Variances. 10

- (c) What is Direct Labour Cost Variance ? How can you analyse the Direct Labour Cost Variance into its possible originating causes ? 2 + 8

[Internal Assessment : 10 Marks]

SECOND HALF

[Marks : 50]

3. Answer any *four* questions of the following : 5 × 4
- (a) Discuss the principal objectives of independent financial audit.
 - (b) "Internal check and internal audit are important constituents of the overall system of internal control." - Explain.
 - (c) Discuss the specific duties of company auditor as per section 227 (1A) of the Companies Act, 1956.
 - (d) Explain any *one* of the following two :
 - (i) Test checking
 - (ii) Management audit.
 - (e) Discuss about verification of assets and liabilities in auditing.
 - (f) "Vouching is the essence of auditing" Amplify this statement.

4. Answer any *two* questions of the following : 10 × 2
- (a) Discuss how company auditors are appointed and re-appointed. Who fixes up the remuneration of company auditor ? 8 + 2
- (b) Discuss five principal duties of company auditor in accordance with CARO, 2003 in India. 10
- (c) What is independence of auditor ? Explain five types of threats as identified by the International Federation of Accountants (IFAC). 4 + 6

[*Internal Assessment* : 10 Marks]
