

2014

M B A

3rd 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 full 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.

(First Half)

(Marks : 50)

1. Answer any *four* questions of the following : 5×4
- (a) What do you mean by Management Control ? What are the basic principles in Management Control System ? 2+3
- (b) XYZ Ltd. furnishes the following information relating to budgeted sales and actual sales for December, 2014 :

(Turn Over)

Product	Budgeted Sales		Actual Sales	
	Sales Quantity (Units)	Selling Price (Rs./Unit)	Sales Quantity (Units)	Selling Price (Rs./Unit)
A	1,100	15	900	17
B	900	20	950	20
C	2,000	36	2,400	35

Calculate the following variances :

- (i) Sales Quantity Variance;
 - (ii) Sales Price Variance;
 - (iii) Sales Mix Variance, and
 - (iv) Total Sales Variance.
- (c) 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?
- (d) What are the limitations of Return on Investment (ROI) analysis as a measure of performance? What alternative measure you can suggest to overcome those limitations?
- (e) What is Zero Based Budgeting? What are its merits?
- (f) The statement given below gives the budget at 60% capacity. Prepare budgeted figure at 75% capacity.

<i>Expenses</i>	<i>60% capacity (Rs.)</i>
Direct Material	1.60,000
Direct Labour	40,000
Indirect Material	48,000
Depreciation	60,000
Indirect Labour	40,000
Rent	12,000
Electric Power (40% fixed)	8,000
Repair (40% Variable)	20,000
Insurance on machinery	12,000

2. Answer any *two* questions of the following : 10×2

- (a) Super Success Ltd. produces one of its products, Samapti, through two of its Divisions A and B. Division B uses 'Suchana', an intermediary product, produced by Division A. Division A can produce 5,000 units of Suchana, all of which can be used by Division B. Division A could not yet develop a marketing channel for external market sale. Relevant costs and price details are given below :

<i>Particulars</i>	<i>Divisions</i>	
	<i>A Rs.</i>	<i>B Rs.</i>
Sale/Transfer Price per unit	220	400
Variable Costs	200	150 (excluding the cost of Suchana)

Suchana is, however available in the market at Rs. 200 per unit.

Present the statements showing contributions (for both the Divisions and the Company) in each of the following cases :

- (i) Division B procures Suchana by transfer from Division A at Rs. 220 per unit;
- (ii) Division B procures Suchana from outside market and there is no alternative use of the idle facilities of division A;
- (iii) Division B procures Suchana from outside market and Division A can earn Rs. 40,000 by putting the idle facilities into alternative use.

3+3+4

- (b) The following figures are extracted from the books of a manufacturing company :

	<i>Budget</i>	<i>Actual</i>
Production in units	10,000	12,000
Production hours	5,000	6,100
Number of working days	25	27
Overhead expenses :		
Fixed (Rs.)	30,000	36,000
Variable (Rs.)	10,000	12,000

Compute all possible variances.

10

(c) "Budgets and standards are not the same thing. They have different purposes and are set up and used in different ways; yet a specific relationship exists between them." In view of the above statement you are required :

(i) to identify the differences between budgets and standards;

(ii) to identify the similarities between the two.

5+5

[Internal Assessment : 10 Marks]

(Second Half)

(Marks : 50)

3. Answer any *four* questions of the following : 5×4
- (a) What is Falsification of Accounts ? How is it generally committed ? 2+3
- (b) What is Management Audit ? Discuss its necessity. 2+3
- (c) Discuss in detail the matter relating to independence of auditor. 5
- (d) What is EDP Audit ? State audit programme as per EDP System. 2+3
- (e) What are the different types of Audit Risk ? What is the relationship between them ? 3+2
- (f) Write a short note on Test Checking. 5

4. Answer any *two* questions from the following : 10×2
- (a) What are the objects of Cost Audit? State the provisions of the Companies Act, 1956 regarding audit of cost accounts.
5+5
- (b) Write short notes on :
- (i) Auditor's duties with regard to Report.
(ii) Auditor's duties with regard to Statutory Report.
5+5
- (c) (i) State the objectives of Financial Audit.
(ii) What are the procedure to obtain Audit evidences?
5+5

[Internal Assessment : 10 marks]
