

K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,
Vidyavihar, Mumbai- 400077

Program: PGDM (Batch2018-20), Trim-III
Subject: Management Control Systems

Maximum Marks: 25
Duration: 2 hours

Date: 3rd April, 2019

Instructions

Q1 is compulsory, carrying 15 marks. Attempt any 2 questions from the remaining, each carrying 5 marks.

Q1. Case – attached

Q2. Discuss how Management Control differs from strategy formulation.

Q3. Explain the different types of organization structures, with their advantages and disadvantages.

Q4. Sherwin Company makes bicycles. Various divisions make components and transfer them to the Dayton division for assembly into final products. The Dayton division can also buy components from external suppliers. The Toledo division makes the wheels and it also sells the wheels to external customers.

All divisions are profit centres and managers are free to negotiate transfer prices. Prices and costs for the Toledo division and Dayton division are as follows:

Toledo Division

Sale price to external customers	\$ 14
Internal transfer price	?
Costs	
Variable costs per wheel	\$ 10
Total fixed costs	\$ 3,20,000
Budgeted production	64,000 wheels*

*Indicates production for transfer to Dayton

Dayton Division

Sale price to external customers	\$ 170
Costs	
Wheels, per bicycle	?
Other components, per bicycle	\$ 85

Other variable costs, per bicycle	\$ 45
Total fixed costs	\$ 6,40,000
Budgeted production	16,000 bicycles

Fixed costs in both divisions will be unaffected by transfer of wheels from Toledo to Dayton.

1. Compute the maximum transfer price per wheel the Dayton division would be willing to pay to buy wheels from the Toledo division.
2. Compute the maximum transfer price per wheel at which the Toledo division would be willing to produce and sell wheels to the Dayton division. Assume that Toledo has excess capacity.
