

2013

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 × 4
- (a) What is a Responsibility Centre ? What are the different types of Responsibility centres ? 2 + 3
- (b) How can you analyse Labour Cost Variances ? 'Labour Idle Time Variance is always an adverse variance'. Explain the statement. 2 + 3
- (c) What do you mean by Transfer Price ? Explain Arm's Length Principle in determining Transfer Price. 5
- (d) What is a Budget Committee ? What are its functions in preparation of a budget ? 5
- (e) Distinguish between 'Decision Unit' and 'Decision Package' in the context of Zero Base Budgeting. 5
- (f) Compare and contrast Budgetary Control and Standard Costing. 5

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

(a) A manufacturing company operates a standard costing system and shows the following data in respect of the month of December :

Actual no. of working days	22
Actual man-hours worked during the month	4,300
No. of units produced	425
Actual amount of overheads incurred.	Rs. 1,800

Relevant information from the company's budget and standard cost data are as follows :

Budgeted no. of working days per month	24
Budgeted man-hours per month	5,040
Standard man-hours per unit of product	10
Standard overhead rate per man-hour	Re. 0.50

You are required to calculate for the month of December all possible overhead variances.

10

- (b) From the following data prepare a Flexible Budget for 60%, 70% and 90% activity levels when the sales are Rs. 300 crores, Rs. 350 crores, and Rs. 450 crores respectively. Fixed expenses remain constant upto 100% level, while semi-variable expenses vary by 10% in amount between 50% and below 90% activity, and 20% between 90% and 100%. The expenses and sales at 80% activity are as under :

A	Variable Costs		Rs./Crores
	Sl. No.	Items	
	1	Materials	80
	2	Labour	60
	3	Other Expenses	10
		Total	150
B	Semi-variable Costs		
	1	Repairs and Maintenance	10
	2	Indirect Labour	30
	3	Sales Dept. Expenses	15
	4	Others	10
		Total	65

(5)

C	Fixed Expenses	Rs./Crores
	1 Wages and Salaries	40
	2 Rent, Rates and Office Expenses	10
	3 Depreciation	15
	4 Sundry Expenses	35
	Total	100
D	Sales	400

Calculate at each level of activity, the cost of sales, profit and percentage of profit to sales. 10

(c) (i) Distinguish between 'Management Control' and 'Financial Control'.

(ii) Write notes on 'Critical Variable' and 'Standard Hour'. 5 + 5

[*Internal Assessment* : 10 Marks]

SECOND HALF

[Marks : 50]

3. Answer any *four* questions : 5 × 4
- (a) What is 'Auditing' ? State the objectives of auditing. 2 + 3
- (b) What is 'Periodical Audit' ? Distinguish between periodical Audit and Continuous Audit. 2 + 3
- (c) State, in brief, disclosure requirements of 'Profit and Loss Account' as per Schedule VI. 5
- (d) What is the difference between 'Internal Check System' and 'Internal Audit System' ?
What is Internal Control System ? 3 + 2
- (e) Discuss the concept of 'true and fair view' in the context of an auditor's report. 5
- (f) State the importance of Management Audit. 5

4. Answer any *two* questions : 10 × 2
- (a) Explain the statutory rights and duties of a company auditor. 10
- (b) Write short notes on : 5 + 5
- (i) Cost Audit, and
- (ii) Efficiency Audit.
- (c) Explain the matters which an auditor should consider before commencing the financial audit of a company. 10

[*Internal Assessment* : 10 Marks]
