

**GUJARAT TECHNOLOGICAL UNIVERSITY****MBA - SEMESTER– IV EXAMINATION – WINTER 2020****Subject Code:4549286****Date:01/01/2021****Subject Name:Functional Elective\_Management Control Systems (MCS)****Time:02:00 PM TO 04.00 PM****Total Marks: 47****Instructions:**

1. Attempt any **THREE** questions from Q1 to Q6.
2. **Q7 is compulsory.**
3. **Make suitable assumptions wherever necessary.**
4. **Figures to the right indicate full marks.**

**Q.1 Explain following terms in brief:**

- (a) 1) Goal Congruence **06**  
2) Balance Score Card  
3) Zero Base Budgeting
- (b) **06**  
1) Incentive Plans  
2) Core Competency  
3) Performance Measurement System (PMS)
- Q.2 (a)** “The scope of Management control System is not limited to the Top level Management but it spreads around the whole organization.” Justify. **06**
- (b) What is Goal Congruence? Discuss factors affecting Goal congruence. **06**
- Q.3 (a)** Differentiate Management Control System in National Companies and Multinational Companies **06**
- (b) What is Balance Score Card? How its work in a Service Organization. **06**
- Q.4 (a)** What is strategic planning? Discuss the benefits and limitations of strategic planning.
- (b) Discuss Various methods of performance evaluation of various corporate managers. **06**
- Q.5 (a)** How corporate level strategy is to be formulated in single industry firms and in unrelated diversified firms? – With an example. **06**
- Q.5 (b)** Give the steps in preparation of budget and why company should focus on it with suitable example. **06**

**The std. cost for 100 kg of Product D is made up of :**

- Product A - 30 kg at Rs. 4 per kg
- Product B - 40 kg at Rs. 5 per kg
- Product C - 80 kg at Rs. 6 per kg

**Actual production of Product D from a mix of in a batch of 500 Kgs :**

- Product A – 140 kgs at cost of Rs. 588
- Product B - 220 Kgs at a cost of Rs. 1056
- Product C - 440 Kgs at a cost of Rs 2860

From the above data calculate following variance in the actual cost per 100 kg.

- a) Material Cost Variance
- b) Material Price Variance
- c) Material Usage Variance
- d) Material Mix Variance
- e) Material Yield Variance

Q.6 (b) Define EVA and ROI. Explain advantages and disadvantages of EVA and ROI.

06

Q.7

**CASE STUDY**

**Transfer Pricing- A Case Study of Vodafone**

The case dates back to financial year 2007-08 involving the sale of Vodafone India Services Private Ltd., the call centre business of Vodafone, to Hutchison, and the tax authorities demanded capital gain tax for this transaction. The Income Tax department had demanded that Rs.8,500 crore be added to the company's taxable income.

Vodafone has repeatedly clashed with the authorities over taxes since it bought Hutchison's mobile business in 2007. Vodafone acquired the telecom business of Hutchison in India to enter the Indian market. And the British company is also fighting another case with the tax authorities relating to this transaction.

In this current transfer pricing case, Vodafone argued in the High Court that the Income Tax Department had no jurisdiction in this case because the transaction was not an international one and did not attract any tax.

The dispute on transfer pricing surfaced after the Income Tax Department issued a draft transfer pricing order in December 2011 and added Rs. 8,500 crore to Vodafone's taxable income for the sale of the call centre business. In 2013, the Income Tax Department issued a tax demand of Rs. 3,700 crore to Vodafone India. However, the IT tribunal stayed the demand during the proceeding of the case and asked Vodafone to deposit Rs. 200 crore by February 15, 2014. It complied with the order.

However, Vodafone argued that the sale of the call centre business was between two domestic companies and the transfer pricing officer had no jurisdiction over the deal. On Thursday, Vodafone India did not issue any elaborate statement. It said: "Vodafone welcomes today's decision by the Bombay High Court." The tax authorities are likely to challenge the decision in the Supreme Court.

In October 2015, Vodafone won a transfer pricing case having an additional demand of Rs.3,200 crore from the tax authorities in the Bombay High Court. “The High Court has reversed the decision of the tax tribunal that the recasting of the framework agreement between taxpayer and Indian business partners was to be regarded as a transfer of call options by assessee to its Parent entity merely because the latter was a confirming party. The tribunal, in so holding had rejected taxpayers contention that Supreme Court in its own case had already settled the issue in its favor,” Arun Chhabra, Director, Grant Thornton Advisory said while commenting on the case.

In a major relief to British telecom major Vodafone in the transfer pricing case, the Bombay High Court on Thursday ruled in its favour, setting aside a tax demand of Rs. 3,700 crore imposed on Vodafone India by the income tax authorities. This is likely to benefit multinational companies such as IBM, Royal Dutch Shell and Nokia that face similar tax demands.

The division bench comprising SC Dharmadhikari and AK Menon said in an oral order that relying upon the earlier Supreme Court judgment, the court is of the view that there is no transfer of the 'call options' and hence the transaction is not falling within the purview of transfer pricing.

- (a) Evaluate the impact of transfer pricing on tax policy with reference to this case. **5.5**
- (b) Discuss whether the court decision will favour Vodafone Company's reputation? **5.5**

**OR**

- (a) Discuss the Vodafone's transfer pricing strategy. **5.5**
- (b) Highlights the core points of above case. **5.5**