M. Com. Part–II (CBCS)
Semester – IV
Compulsory Paper

Management Control System:

- Management Control System is a logical integration of management accounting tools to gather and report data and evaluate performance.
- Management control system is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organizational goals.

Need and Importance:

Guidance to Management, Effective use of resources, Coordination, Delegation and Decentralization of Authority, Policy Making

Scope:

Strategic Planning, Management Control System, Task Control

Management Control Process:

Establishment of Control Standards, Measurement of Performance, Comparison between Performance and Standards, Communication, Correction of Deviations

Management Information System:

Management Information System is a formal method of collecting timely information in a presentable form to facilitate effective decision-making and implementation in order to carry out organizational operations for the purpose of achieving the organizational goals.

Characteristics:

Management oriented, Availability of information, System approach, Quality of information, Database management, Need based, Exception based, Integrated approach, Future oriented

Reporting to Management:

- Report is a tool of conveying the information to higher authorities for proper decision making and consequential favourable effects.
- Reporting system is the formal system which continuously feed the information to management to assist decision making.
- Written, Graphical and Oral Reporting

Types of Reports:

- Period Base – Routine Reports, Special Reports
- Function Base – Operating Reports, Financial Reports
- Nature Base – Enterprise Reports, Control Reports, Investigative Reports
- Purpose Base – External Reports, Internal Reports

Characteristics of Good Report:

Accuracy, Promptness, Relevance, Simplicity, Consistency, Cost effectiveness, Proper format, Controllability, Frequency

Marginal Costing:

Marginal costing is a technique/principal whereby marginal cost of cost units is ascertained. Only variable costs are charged to cost units, and fixed costs are charged directly to the Profit and Loss Account.

Important Elements:

Sales, Variable costs, Fixed costs, Profit

Marginal Cost Equation:

S – V = C (Contribution)

F + P = C

S – V = F + P

In case of loss S – V = F – L

At Break-Even Point (BEP), Profit is 0 (zero)

S – V = F or S – V – F = 0

BEP (Units) = Fixed Cost/ Contribution per unit

BEP (Value) = Fixed Cost / PV Ratio

P/V Ratio = Contribution / Sales × 100

P/V Ratio = Fixed Cost + Profit / Sales × 100

Sales to earn desired profit (Value) = Fixed Cost + Desired Profit / PV Ratio

Sales to earn desired profit (Units) = Fixed Cost + Desired Profit / Contribution per unit

Margin of Safety = Actual Sales – Break-Even Point

Budgetary Control:

Budget: A budget is a comprehensive and coordinated plan, expressed in financial terms, for the operations and resources of an enterprise for some specific period in the future.

Budgetary Control: The establishment of budgets relating to responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy, or to provide a basis for its revision.

Objectives: Planning, Co-ordination, Control, Communication, Preparedness

Types of Budgets:

Functional – Production, Sales, Cash, Purchase, Capital, Master Budget

Periodical – Short-term, Long-term, Current Budget

Flexibility – Flexible and Fixed Budget

Problems on Cash Budget, Flexible Budget and Capital Budget only.

Standard Costing and Variance Analysis:

Standard costing is the preparation and use of standard costs, their comparison with actual costs and the analysis of variances to their causes and points of incidence.

Standard costs are pre-determined or fore-cast estimates of costs to manufacture a single unit, or a number of units of a product during a specific immediate future period.

Variance is the difference between a standard cost and the comparable actual cost incurred during a period.

Analysis of Variances:

- Material Variances
- Labour Variances
- Overheads Variances – Fixed Overheads Variances
  Variable Overheads Variances

- Material Variances: Material Cost Variance, Material Price Variance, Material Usage Variance, Material Mix Variance, Material Yield Variance
- Labour Variances: Labour Cost Variance, Labour Rate Variance, Labour Efficiency Variance, Labour Mix Variance, Idle Time Variance
- Fixed Overheads Variances: Fixed Overheads Variance, Expenditure Variance, Volume Variance, Efficiency Variance, Capacity Variance, Calendar Variance
- Variable Overheads Variances: Variable Overheads Expenditure Variance, Variable Overheads Efficiency Variance,