



UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT AND FINANCE

Postgraduate & Mid-career Development Unit

Master of Business Administration (MBA)/MBA in Finance/MBA in Marketing/MBA in HRM
(2015/2017 Weekend) Programmes (Semester 1, Second Half) Examination – May/June 2016

MBA 539 – Financial Reporting and Management Control Systems

Three (03) Hours

Answer **FIVE (05)** questions in all, selecting at least two (02) questions from each part

Use two separate answer books for Part – I and Part - II

This paper consists of eight (08) questions on four (04) printed pages

Part - I

1. “Contents of corporate reports will be useful to almost all categories of stakeholders, in making economic decisions.”

Discuss how contents of corporate reports will be useful to business managers in their day to day business life.

(20 Marks)

2. i. Assume that you are the manager responsible for the preparation of annual financial statements of your organization, a limited liability company.

Discuss the principles which you have to follow in the process of preparation and presentation of financial statements of a limited liability company according to LKAS-1.

(08 Marks)

- ii. Assume that you have been invited by the Young Accountants’ Forum of Sri Lanka to deliver a 30 minute lecture at its 20th Annual Technical Session on the integrated reporting framework which provides guidelines for the preparation of corporate reports. Prepare a note incorporating the main points which you intend to present in your lecture.

(12 Marks)

(Total 20 Marks)

3. i. "Although different accounting bodies in developed countries have attempted to globalize financial reporting practices by introducing International Financial Reporting Standards (IFRS) across the world, this may create problems as well."

Discuss the advantages and disadvantages of having a single global financial reporting framework, and barriers to implementing such a common framework for financial reporting practices.

(15 Marks)

ii. Briefly explain how analysis of cash flow statements helps in the managerial decision making process.

(05 Marks)

(Total 20 Marks)

4. i. "Reporting corporate governance practices is now becoming a mandatory requirement for corporate entities particularly in the banking and financing sector, as well as for all listed public companies."

Discuss (a) why disclosure of corporate governance practices becomes more important in the corporate sector, and (b) how well established corporate governance practices can protect stakeholders' interest. Your answer should be in line with the provisions in Code of Best Practices relating to corporate governance in Sri Lanka.

(12 Marks)

ii. Briefly discuss the principles for defining report content and report quality with reference to G4 guidelines on sustainability reporting.

(08 Marks)

(Total 20 Marks)

Part – II

5. "Controls are needed because organizations are made up of people having different levels of discretion."

i. Describe different groups of people involved in an organization and their level of discretion.
(08 Marks)

ii. Differentiate management control from other forms of controls used in organizations.
(08 Marks)

iii. Briefly explain the meaning of 'personifying capital' and how it becomes the 'common objective' of a commercial organization.

(04 Marks)

(Total 20 Marks)

6. "Divisionalization is an approach to maintaining management control in any organization."

i. Explain the meaning of 'divisionalization.' Your answer needs to consider managerial discretion in divisionalization.

(05 Marks)

ii. Determine an appropriate structure for reporting performance by a profit center manager and justify different measures you adopt therein.

(15 Marks)

(Total 20 Marks)

7. "Budgeting is problematic for a business organization in the contemporary competitive context."

i. Explain why budgeting is problematic.

(08 Marks)

ii. Explain how 'beyond budgeting' can help business organizations in place of conventional budgeting.

(08 Marks)

iii. In your opinion can any organization adopt beyond budgeting. Give reasons for your answer.

(04 Marks)

(Total 20 Marks)

8. "Managerial compensation is crucial in achieving management control."

- i. Explain with examples different categories of managerial compensation and their role in achieving management control.

(10 Marks)

- ii. Describe why 'executive compensation' is more important in managerial compensation. Your answer needs to consider the notion of 'discretion.'

(10 Marks)

(Total 20 Marks)
