



UNIVERSITY OF COLOMBO, SRI LANKA

Faculty of Management and Finance

Postgraduate and Mid-career Development Unit

Master of Business Administration in International Business 2016/2018 Programme

Trimester I Examination – November, 2016

MBAIB 5101 Accounting for Managers

Three (03) Hours

Answer **Five (05)** questions in all, selecting at least **Two (02)** questions each from Part I and Part II.

Use two separate answer books for Part I and Part II.

Use of calculators is permitted.

Part I

1. i. Discuss principles of preparation and presentation of Financial Statements of a limited liability company according to the LKAS 01.

(08 Marks)

ii. Discuss in which manner the contents of corporate reports could be useful for business managers in their day to day business activities.

(07 Marks)

iii. Discuss the factors influence in Financial Reporting practices of Sri Lanka.

(05 Marks)

(Total 20 marks)

2. i. "Although the financial reporting practices are globalizing in order to harmonize financial reporting practices, the harmonizing creates problems as well".

Discuss advantages and disadvantages of having a global financial reporting framework.

(10 Marks)

ii. Discuss why disclosure of corporate governance practices becomes more important in the corporate sector and how well-established corporate governance practices can protect stakeholders' interest.

Your answer should be in line with the provisions in corporate governance Code of Best Practices 2013 in Sri Lanka.

(10 Marks)

(Total 20 marks)

3. i. The following Trial Balance as at 31st March 2016 has been prepared for New York branch of Alberto Company which has its head office in Sri Lanka.

Particulars	Dr. (\$)	Cr. (\$)
Plant and machinery	112,000	
Furniture and fittings	16,000	
Provision for depreciation at 01.04.2015 - Plant and machinery		11,200
- Furniture and fittings		1,600
Stock as at 01.04.2015	51,000	
Purchases	245,000	
Sales		406,000
Goods from head office	78,000	
Transport cost	2,000	
Salaries/wages	10,500	
Rent and rates	2,500	
Trade expenses	2,000	
Head office accounts		119,200
Trade debtors	22,000	
Trade creditors		9,000
Cash at Bank / Hand	6,000	
Total	547,000	547,000

The following additional information is also given:

- a. Annual depreciation on plant and machinery and furniture and fittings is 10% per annum on cost with no salvage value.
- b. Value of goods send to branch by the head office during the year is Rs. 3,890,000.
- c. According to head office documents a sum of Rs. 4,290.000 is due from branch.
- d. Salaries payable amount at the end of the year is \$ 1,000.
- e. Stock as at 31st March 2016 is \$ 51,500
- f. There were no transit items either at the beginning or at the end of the year.
- g. On 01st April 2014, when fixed assets were purchased, the rate of exchange was as Rs.57 per \$1, on 01st April 2016, exchange rate was Rs.62 per \$1, on 31st March 2016 exchange rate was Rs.74 per \$1. Average exchange rate during the year was Rs.68 per \$1.

Using the above information, prepare converted Trial Balance as at 31st March 2016 (convert \$ values in to Rs. values).

(12 Marks)

- ii. Briefly discuss principles of defining report content and principles of defining report quality with reference to G4 guidelines which are widely used as guidelines for sustainability reporting.

(08 Marks)

(Total 20 Marks)

PART II

4. i. Cost Volume Profit (CVP) analysis is an important tool for short term planning and decision making. However CVP analysis is based on certain assumptions.
 - a. The following data relates to Product X manufactured by Aqua Limited. You are required to calculate the breakeven point and margin of safety.

Selling price per unit Rs. 100

Variable cost per unit Rs.60

Fixed costs Rs. 100,000

Budgeted sales 3,500 units

(04 Marks)

b. Outline the assumptions and limitations of CVP analysis.

(04 Marks)

ii. a. Identification of relevant costs is important in various business decisions. Comment on this statement.

(04 Marks)

b. Orient Limited purchased some raw materials few years ago for Rs. 200,000. It does not foresee any prospect of selling or using these materials in its future production. However, recently a customer has made an inquiry about a product that will require the use of all these materials. The customer has offered to pay Rs.500,000. Additional cost involved in converting these materials to make this product is Rs.400,000. Orient Limited is now contemplating whether it should accept this order. What is your advice to Orient Limited?

(04 Marks)

c. Despite its usefulness, practically organisational decision making is not solely based on an analysis of relevant costs. State other factors which would guide organizational decision making.

(04 Marks)

(Total 20 marks)

5. Budgetary control and balanced scorecard (BSC) are main management control tools visible in business organisation.

i. Distinguish between ideal standards and attainable standards with regard to setting budget targets.

(06 Marks)

ii. Actual results are very often not equal to budgeted results and this would give rise to variances with regard to sales, costs etc. Briefly explain the various reasons for variances.

(06 Marks)

iii. While in concept the BSC is meaningful, practically all BSC implementations do not succeed. Identify the reasons why some BSC implementations succeed while others fail.

(08 Marks)

(Total 20 marks)

6. i. While decentralisation of operations can be beneficial to an organisation, decentralisation could give rise to dysfunctional consequences as well. This calls for decentralised responsibility with centralised control. Elaborate on the above with special focus on the underlined phrase.

(10 Marks)

ii. In designing an incentive system it is necessary to (a) include both intrinsic as well as extrinsic rewards and (b) decide whether the reward is based on outcomes or inputs. Comment on this statement with reference to (a) and (b).

(10 Marks)

(Total 20 marks)
