



# UNIVERSITY OF COLOMBO, SRI LANKA

Faculty of Management & Finance

Postgraduate & Mid-career Development Unit

Master of Business Administration 2014-2016 Weekday Programme

(Semester IV First half) Examination– November 2016

**MBAAC 618 – Special Topics (Strategic Management Accounting)**

**Three (03) Hours**

**Answer any FIVE (05) Questions**

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1. i. Following the seminal article on balanced scorecard (BSC) by Robert Kaplan and David Norton in the Harvard Business Review in 1992, the technique has been diffused to organizations across the world, and it has attracted high interest from academics as well as practitioners. BSC strives to remedy the inadequacies of traditional performance measurement systems, and has the potential to offer significant benefits to organizations as a strategic management accounting tool. However, the theoretical promises of BSC are not always realized through practical implementations, and BSC implementations end up in different fates in terms of their successes and failures in different organizational context.

Critically comment on the above, with specific focus on the underlined phrases.

(15 Marks)

- ii. Management control systems could be used both diagnostically as well as interactively. What are the key features of diagnostic control systems?

(05 Marks)

**(Total 20 marks)**

2. i. Although external benchmarking is more commonly adopted by business organizations, internal benchmarking as well as best-practice benchmarking have their own merits. Briefly explain the
- Reasons for the popularity of external benchmarking
  - Circumstances under which internal benchmarking would be suitable
  - Advantages of best-practice benchmarking

(10 Marks)

- ii. Assume that you are a member of the strategic planning team of Apex Plc, a leading bank in Sri Lanka. At a recent management meeting it was discussed that the bank does not sufficiently monitor competitor performance. You also share this view and believe that adopting competitor-focused accounting would be useful to your bank. Draft a report to the Managing Director describing
- How competitor-focused accounting would benefit the bank
  - Sources of information for competitor-focused accounting
  - Problems the bank may encounter in adopting and continuing it

(10 Marks)

**(Total 20 marks)**

3. Although traditional budgeting has been subjected to intense criticisms, most organizations are not abandoning it. Instead budgetary control remains to be the most prevalent form of management control in contemporary organizations progressed through gradual improvements overtime. Critically comment on the above outlining the

- Limitations of traditional budgeting
- Reasons for the continued use of budgetary control despite calls for "beyond budgeting"
- "Better budgeting" initiatives of contemporary business organizations

**(Total 20 marks)**

4. i. Japanese management accounting ideas such as market driven costing, pre-production cost management, influencing rather than informing role offers significant benefits to organizations. However, there are barriers to the transferability of these ideas to other countries outside Japan, and localization of global practices is vital. Comment on the above statements with special reference to the underlined phrases.

(15 Marks)

ii. Briefly explain how an organization's management accounting system could be changed to facilitate a Total Quality Management (TQM) system.

(05 Marks)

**(Total 20 marks)**

5. i. Activity Based Costing (ABC) has advantages over traditional accounting systems. It is claimed to provide more accurate and relevant product cost information for managerial decision making for companies which produce a wide range of products with differing batch sizes, consuming varying amounts of resources and using complex manufacturing processes. Although ABC offers such advantages, it is not free from problems, and certain ABC implementations have failed or have been partially implemented. Elaborate upon the above, highlighting the strengths and limitations of ABC, and practical issues organizations face in implementing and operating it.

(15 Marks)

ii. Conceptually while customer profitability analysis is important for an organization to identify profitable customers, practically organizations may continue trading with certain customers even though they are currently unprofitable. Describe this statement.

(05 Marks)

**(Total 20 marks)**

6. i. Assume that you have been recently appointed as the Strategic Planner of Synergy Plc, a leading telecommunication company in Sri Lanka. The firm did not have a strategic planning division earlier, and some members of the corporate management team do not

have a clear understanding on how a strategic planning division could benefit the firm. You have been requested by the Managing Director of Synergy Plc to make a presentation to the corporate management on “Strategic management accounting: extending the boundaries of management accounting” to create awareness about this newly formed unit and its role. Prepare an outline of the main points that you intend to cover in your presentation.

(Note: You may explain how strategic management accounting goes beyond conventional management accounting, how it forms links with other organizational functions, refer to common strategic management accounting tools and relate to the particular context of your organization).

(15 Marks)

- ii. Various strategic management accounting (SMA) tools are highly inter-connected and business organizations implement SMA tools as a ‘package’ to facilitate the contemporary manufacturing environment. Elaborate on this statement.

(05 Marks)

**(Total 20 marks)**