



UNIVERSITY OF COLOMBO, SRI LANKA  
FACULTY OF MANAGEMENT AND FINANCE  
**Postgraduate and Mid-career Development Unit**

Master of Business Administration (Weekday) (Semester 1, Second-Half- Repeat)  
Examination –March, 2017

**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 I**  
**and PART II.**

**Answers for each PART should be written in separate answer books.**

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**PART-I**

1. i. “Sound knowledge on financial reports is essential for all managers irrespective of duties and responsibilities which they have been assigned”. Do you agree with this statement? Justify your answer explaining in which manner financial reports is helpful for corporate managers.

(12 Marks)

ii. Explain how accounting and financial reporting practices are influenced by economic, social and legal environmental factors.

(08 Marks)

**(Total 20 marks)**

2. i. "Referring financial statements is the only way that stakeholders can obtain information about financial performance of business entities. However, stakeholders cannot always rely on the content of those statements". Do you agree with this statement? Explain your answer with examples.

(12 Marks)

- ii. Discuss main attributes of G4 guidelines which are currently used as guidelines for preparation and presentation of Sustainability Reports.

(08 Marks)

**(Total 20 marks)**

3. i. "Reporting of corporate governance practices is now becoming a mandatory requirement for corporate entities particularly in banking and financing sector and all listed public companies".

Discuss in which manner the disclosure of information on corporate governance practices is useful to stakeholders as a decision making tool.

(12 Marks)

- ii. Assume that you are the responsible manager for the preparation of annual financial statements of your 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 the LKAS-1

(08 Marks)

**(Total 20 marks)**

4. i. "Present corporate reporting practices moving towards Integrated Reporting Practices"

Write a brief note on Integrated Reporting Framework which is mainly emphasising the value creation process of a business entity.

(10 Marks)

- ii. Explain how the ratio analysis is useful to business managers to understand firm's financial strength and weakness in terms of liquidity, profitability, efficiency and leverage. (Hint: You may select at least two different types of ratios from each category in explaining your answer).

(10 Marks)

**(Total 20 marks)**

## **PART-II**

5. "Organizations are controlled to make sure that their goals are reached".

- i. Describe different groups of people involved in any organisation and nature of control exercised by each group. For the answer you may take any organization you are familiar with as an example.

(08 Marks)

- ii. Briefly discuss four main management control tools referring to their role in the organizational control.

(08 Marks)

- iii. Explain the meaning of the 'common objective' of a commercial organization as far as organisational control is concerned.

(04 Marks)

**(Total 20 marks)**

6. "Divisionalization is an approach of maintaining management control of any organisation"

- i. Briefly explain four types of divisions that are used in controlling managerial performance of an organization.

(04 Marks)

- ii. Discuss the need of converting other divisions into profit centers to achieve a better control over an organization.

(16 Marks)

**(Total 20 marks)**

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

i. Explain different roles a traditional budget can play in any organisation? (08 Marks)

ii. Briefly discuss the instances, where managers find budgets are problematic. (06 Marks)

iii. Explain how the practice of beyond budgeting can bring solutions to such problems?

(06 Marks)

**(Total 20 marks)**

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

i. Discuss the meaning of managerial compensation and the need of attention on this in order to maintain better control over an organization. Your answer needs to pay attention to different components of compensation and their implications.

(10 Marks)

ii. Why 'executive compensation' is more important in managerial compensation? Your answer needs to consider the meaning of the term 'executives' and reasons for paying attention on their compensation practices.

(10 Marks)

**(Total 20 marks)**

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