



UNIVERSITY OF COLOMBO, SRI LANKA

Faculty of Management & Finance

Postgraduate & Mid-career Development Unit

Master of Business Administration 2014-2016 Weekend Programme (Semester IV, Second - Half)

Examination – March 2017

MBAAC 618 – Special Topics (Strategic Management Accounting)

Time Allowed: Three (03) Hours

Answer any **FIVE (05)** Questions

This paper has six (06) questions on four (04) printed pages.

1. i. A significant strength of the balanced scorecard (BSC) is that it integrates financial as well as non-financial indicators of business performance. However criticisms have been raised about monitoring non-financial indicators. Elaborate on the above highlighting the (a) strengths of the BSC (b) practical difficulties organizations face in implementing and continuing with a BSC.

(12 Marks)

- ii. A close link is needed between an organization's strategy and its BSC. Therefore some organizations in formulating their BSC may use the four perspectives as prescribed by its advocates (Robert Kaplan and David Norton), while others may decide on perspectives suitable to their business. Comment on this statement.

(08 Marks)

(Total 20 Marks)

2. i. Budgeting systems continue to play an important role in firms' control systems and most companies have no plans to abandon it, although many are planning to take steps to improve their budgeting systems to overcome some of the common criticisms. [Libby, T., & Lindsay, R. M. (2010). Beyond budgeting or budgeting reconsidered? A survey of North-American budgeting practice. *Management Accounting Research*, 21(1), 56-75]. Critically comment on this statement focusing on the (a) criticisms of traditional budgeting (b) "better budgeting" practices in contemporary organizations and (c) practical issues in implementing "beyond budgeting."

(12 Marks)

ii. "Strategic management control systems could to be used both diagnostically as well as interactively. Describe the advantages and disadvantages of interactive control systems.

(08 Marks)

(Total 20 Marks)

3. i. Customer profitability analysis is important as each rupee of revenue earned does not equally contribute to profits. However at times business organization may retain certain customers, although they are at present not profitable. (a) Outline the features of less profitable customers, and (b) identify the circumstances under which an organization may continue to trade with certain customer despite the absence of current profits.

(06 Marks)

ii. Assume that you are a member of the strategic planning team of Alphine Limited, a leading insurance company in Sri Lanka. Although Alphine Limited has maintained a strong financial performance over the years, in the recent past it has experienced a noteworthy drop in sales revenue and profits. The top management of the company is very concerned about this adverse performance and you have been assigned to prepare a report to the Board of Directors (BOD) analyzing this issue and suggesting future action.

The company currently does not practice competitor-focused accounting, and you are of the view that adopting competitor-focused accounting would help the company in the current situation. Draft a report covering (a) advantages of competitor-focused accounting (b) possible sources of information and (c) barriers for adopting it in Alphine Limited.

(14 Marks)

(Total 20 Marks)

4. i. With advances in the manufacturing environment, organizations have been embracing various management / strategic management accounting (SMA) tools, and given that these tools are highly interconnected they are implemented as a 'package' rather than as 'isolated tools' to facilitate the contemporary business environment. Elaborate on this statement.

(08 Marks)

ii. Although Activity Based Costing (ABC) addresses limitations of traditional costing, ABC may not be necessary for all organizations. ABC is particularly useful in a context of complex manufacturing processes with less direct labour content, and a wide range of products consuming different amounts of resources. Comment on the above, laying emphasis on the underlined phrases.

(12 Marks)

(Total 20 Marks)

5. i. Japanese management accounting ideas such as market driven costing, pre-production cost management, influencing rather than informing role have helped Japanese manufacturers to outperform their competitors in others parts of the world. 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.

(14 Marks)

ii. Implementing and operating a Total Quality Management (TQM) system would require striking a balancing between 'hard' elements such as zero defects, rules and procedures, as well as 'soft' elements such as employee involvement and team work. Describe this statement.

(06 Marks)

(Total 20 Marks)

6. i. Strategic management accounting (SMA) could be viewed as an interface between management accounting and other organizational functions. Briefly explain this statement using suitable SMA tools as examples.

(05 Marks)

ii. Strategic management accounting (SMA) exists in different forms in different organizations and SMA tools should be implemented and operated as suited to the specific requirements and circumstances of the particular organization. Do you agree? Provide reasons for your answer.

(05 Marks)

iii. Strategic management accounting (SMA) could help to transform the traditional accountant to a business oriented accountant (a) by being a 'value adding business partner' rather than a 'scorekeeper' and (b) by influencing and connecting people rather than merely performing in a commanding and controlling role. Elaborate on this statement.

(10 Marks)

(Total 20 Marks)
