

UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration Honours in Accounting (Semester VII) Examination –
October, 2021

ACT 4219 – Strategic Management Accounting

Two (02) Hours

Answer All Questions

This is an Open Book Examination

This Paper Consists of Four (04) Questions Printed in Three (03) Pages

1. i. With its external orientation, broader view and strategy focus, strategic management accounting (SMA) is a development over cost accounting and management accounting. Elaborate on this statement drawing examples from suitable SMA tools.

(10 Marks)

ii. Target costing carries the advantage of balancing marketplace success and organisational goal achievement. However, target costing is practically challenging. Do you agree? Give reasons for your answer.

(15 Marks)

(Total 25 marks)

2. Quest Bank is a leading commercial bank operating in the highly competitive banking industry in Sri Lanka. It has a country-wide presence through an extensive branch network. At a recent management meeting, the following concerns were raised by several senior managers of the bank.

- Whether the bank should adopt benchmarking.
- Whether the bank should abandon traditional budgetary control and implement beyond budgeting
- Whether the bank should implement the balanced scorecard (BSC)

Answer the following questions with a focus on providing clarifications on the above concerns.

- i. Explain with examples how different types of benchmarking could be adopted by the bank.

(09 Marks)

- ii. Describe the limitations of traditional budgetary control and challenges of implementing beyond budgeting in Quest Bank.

(08 Marks)

- iii. Outline the merits of the BSC, and the practical problems Quest Bank may encounter in implementing the BSC in the bank and in its branches.

(08 Marks)

(Total 25 marks)

3. Tiptoe Limited is a shoe manufacturing firm renowned for its finely crafted designer shoes. With regard to management accounting practices, the firm adopts budgetary control and traditional costing.

- i. Reflecting on the advantages and disadvantages of diagnostic and interactive controls, explain how Tiptoe could use its budgetary control system, diagnostically and interactively.

(09 Marks)

- ii. Describe the different types of quality related costs drawing examples as applicable to Tiptoe Limited.

(08 Marks)

- iii. In your opinion, could activity-based costing (ABC) benefit Tiptoe Limited, and would there be any difficulties that the firm would face in implementing ABC. Explain your answer.

(08 Marks)

(Total 25 marks)

4. “Sweets & More” is a leading firm engaged in the manufacture and distribution of a wide variety of biscuits, chocolates and other sweetmeats. Over the years it has focused on expanding its operations and has not devoted much attention to develop its management accounting systems and the management accounting function, monitor competitor performance as well as to invest in technology.

i. Explain how competitor performance monitoring could benefit “Sweets & More”, while outlining possible difficulties that can be encountered by the firm in practicing competitor performance monitoring.

(08 Marks)

ii. With the increased sales volumes and complexities of the business, the senior management has decided to implement an Enterprise Resource Planning (ERP) system as well as recruit a management accountant.

a. Explain how implementing an ERP system could benefit the firm.

(05 Marks)

b. Describe opportunities and challenges that the management accountant would experience in implementing an ERP system.

(12 Marks)

(Total 25 marks)