



UNIVERSITY OF COLOMBO, SRI LANKA
FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration (Level II - Semester VII) Examination – July 2017

ACT 2200 - Strategic Management Accounting

Two (02) Hours

Answer any Four (04) questions

1. Faced with limitations of conventional budgetary control, organizations are moving towards “better budgeting” as well as “beyond budgeting” practices.

i. Describe better budgeting initiatives adopted by business organizations.

(15 Marks)

ii. Even though beyond budgeting has merits; its practical applicability in organizations is debatable. Do you agree? Justify your answer.

(10 Marks)

(Total 25 marks)

2. Even after 25 years since the first article on balanced scorecard (BSC) was published in Harvard Business Review, it is still a much talked of technique among academic and the business community.

i. Explain the advantages of the BSC and the reasons for its popularity.

(10 Marks)

ii. Describe practical difficulties managers face in implementing and continuing with the BSC in organizations.

(15 Marks)

(Total 25 marks)

3. i. Activity Based Costing (ABC) is especially suitable in the context of complex manufacturing processes with a wide range of products, consuming different amounts of resources and declining labour input. Do you agree? Give reasons for your answer.

(08 Marks)

- ii. Management control systems could be used diagnostically as well as interactively. Outline the advantages and disadvantages of diagnostic control systems.

(10 Marks)

- iii. Although it is commonly stated that Japanese manufacturing firms were able to outperform other nations due to the adoption of management practices such as Just In Time (JIT), Total Quality Management (TQM) and Flexible Manufacturing Systems (FMS), Japanese management accounting systems too have contributed towards their success. [Hiromoto, T. (1988). Another hidden edge – Japanese management accounting. *Harvard Business Review*, July-August]. Explain the key features of Japanese management accounting systems.

(07 Marks)

(Total 25 marks)

4. i. Benchmarking takes the forms of internal benchmarking, external benchmarking as well as best-practice benchmarking.

- (a) Briefly explain the benefits of internal bench marking
- (b) Outline the problems organizations face in practicing external benchmarking.
- (c) Describe best practice benchmarking with an example.

(12 Marks)

- ii. Assume that you have been recently recruited to the strategic planning team of Nova Limited, a leading telecommunication company in Sri Lanka. Despite the stiff competition faced, the company currently does not monitor competitor performance systematically. However, you are of the view that competitor-focused accounting would be beneficial to the company. Prepare a report to the senior management explaining the (a) benefits of competitor – focused accounting to Nova Limited, (b) possible difficulties to be encountered in practicing it and (c) information sources that can be used in carrying it out .

(13 Marks)

(Total 25 marks)

5. Write short notes the following.

- a) Cost accounting versus strategic management accounting
- b) Management accounting implications of implementing TQM
- c) Levers of control framework (Simons, 1995)
- d) Customer profitability analysis
- e) Prevention costs versus failure costs

(5 x 5 = Total 25 marks)