



Institute of Certified Management Accountants of Sri Lanka

Incorporated by Parliament Act No.23 of 2009

November 2021 Examination

Strategic Level **SMA – 401 Strategic Management Accounting**

No. of Pages: 08

No. of Questions: 05

Instructions to Candidates:

1. Time Allowed : Writing - **Three (3) hours**

Reading and Software handling– **30 minutes.**

1. Total : **100** Marks

2. This paper consists of two Parts.

Part-1: Question no. 01 (**Compulsory**)

Part- II: Question no. 02 – 05 (**Select any 03 questions**)

3. Answer only four (04) questions **including** Question No. 01

4. The answers should be in **English** language.

5. Only non-programmable calculators are permitted to use.

This examination was conducted online on Pearson VUE platform

PART – I**Compulsory****QUESTION NO. 01**

Smart Garment is a garment company engaged in the business of design, making and selling various types of womenswear through its island wide chain of shops. Its Board of Directors is comprised of esteemed businessmen. Other senior managers and the staff are well trained and experienced. Some of the operating staff are due to retire in the coming years. The plant and machinery currently being used have been purchased some years ago and they are near replacement.

The Managing Director of the company noted that the market demand for its products has significantly decreased during the past five years. They also noted that the company is facing tough operating conditions in its home fashion market where strong competition means there is little opportunity for future growth. Managing Director at a recent meeting proposed to take strategic decision to achieve expansion through market development abroad.

However, Marketing director suggested to conduct competitor analysis before looking into market development abroad and then to decide the course of actions to be taken. For this purpose, two similar competitor companies were selected, and they are Parrot Garment and Peacock Garment. Accounts Executive prepared the following report on the request of the Finance Director.

	Smart Garment	Parrot Garment	Peacock Garment
	Year Ended 31st March 2021	Year Ended 31st March 2021	Year Ended 31st March 2021
Number of Retail shops	130	120	140
Number of Employees	1,700	1,600	1,800
	Rs.	Rs.	Rs.
Sales Revenue	2,000,000	3,000,000	5,000,000
Cost of Sales	1,300,000	1,650,000	2,600,000
Profit before tax	700,000	1,200,000	2,100,000

You are required to:

- 1.1.** As the management accountant of the Smart Garment, **construct** a suitable format to compare Smart Garment performance with the competitor Garments and **evaluate** Smart Garments performance against the performance of competitor Garments, ranking the best as 1 and the least as 4.

(20 Marks)

In case if it is found that USA is one of the potential countries to develop a fashion product market, the plan of the Board of Directors is to approach an existing retail chain in USA, rather than setting up a new operation. Further it would also send a senior management team from Smart Garment to manage the operations in USA. However, the Board of Directors of Smart Garment is aware that this would be challenging for the managers mainly due to cultural differences between the two countries..

You are required to:

- 1.2. Apply** appropriate strategic management models/frameworks to explain how key external environmental and competitive factors on which information should be collected to be made use by the Smart Garment to evaluate its proposed strategy to move into USA market.

(20 Marks)

[Total 40 Marks]

PART – II

Answer any three (03) Questions.

QUESTION NO. 02

Health Plus Hospital Ltd. is a private hospital operating in Colombo, Sri Lanka. Hospital market is highly competitive since there are many private hospitals operating in Colombo. The company believes that satisfying customers with services of high quality at low costs is key to achieving its target profitability. For 2021, Health Plus Hospital Ltd. planned to achieve higher quality and lower costs by improving productivity and reducing defects in its service operations. Health Plus Hospital Ltd. has trained its staff, encouraged and empowered to achieve the target and introduced Balanced Scorecard method to evaluate its performance considering the complexity of the healthcare system, especially as it characterized by heterogeneous set of entities, activities and processes due to the involvement of citizens, clinicians, government, patients and professionals. Vision and Mission of the Health Plus Hospital Ltd is as follows:

Vision: Our hospital brings health and healing to the community

Mission: Our hospital be the best place to work and get health care.

Health Plus Hospital Ltd.'s balanced scorecard for the financial year 2021 is as follows:

Objectives	Measures	Target Performance	Actual Performance
<i>Financial Perspective</i>			
Increase shareholder value	Profit after tax	Rs.250,000,000	Rs.175,000,000
<i>Customer Perspective</i>			
Increase number of patients	Number of Patients	1,000,000	640,000
<i>Internal-Business-Process Perspective</i>			
Improve service quality	Customers response	82%	85%
<i>Learning-and-Growth Perspective</i>			
Develop process skills	Percentage of employees trained in process and quality management	90%	92%

You are required:

- 2.1. Discuss** to what extent Health Plus Hospital Ltd. was successful in implementing its strategy in 2021.

(08 Marks)

- 2.2. Evaluate** the appropriateness of the balanced scorecard developed by Health Plus Hospital Ltd.

(06 Marks)

- 2.3. Recommend** the suitable modifications for the existing balance scorecard.

(06 Marks)

[Total 20 Marks]

QUESTION NO. 03

The Sustainability Reporting Principles are fundamental to achieving transparency in sustainability reporting and therefore should be applied by all organizations when preparing a sustainability report. The principles are divided into two groups: Principles for Defining Report Content and Principles for Defining Report Quality

You are required:

- 3.1. Describe** principles for Defining Report Content.

(08 Marks)

- 3.2. Describe** principles for Defining Report Quality.

(12 Marks)

[Total 20 Marks]

QUESTION NO. 04

Part A

“Main reason why most managers reluctant to implement Environmental Management Accounting (EMA) practices is due to the unwillingness to meet the challengers in EMA adoption. As a result, many types of environmental-related cost information are not found in the accounting records and investment decisions are often made on the basis of incomplete information”.

You are required:

- 4.1. Evaluate** the above statement and **discuss** the reasons as to why managers do not consider EMA practices.

(08 Marks)

Part B

Operations management is the process that generally plans, controls, and supervises manufacturing and production processes and service delivery. Operations management is important in a business organization because it helps effectively manage, control, and supervise goods, services, and people.

You are required:

- 4.2. Identify** six factors greatly influence operational management and **present** at least two examples for each of the factors.

(12 Marks)

[Total 20 Marks]

QUESTION NO. 05

Part-A

Mason Company Ltd produced moulded metal equipment, called castings for a wide range of local industries including mining, sugar refining, cement manufacture, and general engineering companies. It is also produced for export markets. The company's major product lines included the 'Hensley' line of digging equipment, used in mining; the 'Canron' range of mining products; and custom-made castings. In the recently held management meeting, it is discussed that the Activity Based Costing (ABC) system is expensive to implement and maintain at Mason Company Ltd and it is more complex than the traditional management accounting system. Nevertheless, the current costing system had not been in place for long, ABC and Activity Based Management (ABM) seemed to improve profitability at Mason Company Ltd. Apart from that, the company plans to initiate the Just-In-Time (JIT) philosophy, made famous by Toyota, has been credited as the key to the success of many of the world's leading manufacturers bringing tremendous cost-savings benefits..

You are required:

- 5.1.** Measuring performance in ABM involves more than managing costs. Do you agree?
Explain your answer.

(06 Marks)

- 5.2.** **Briefly explain** the reasons why the Mason Company Ltd may adopt JIT purchasing and JIT production management.

(06 Marks)

Part-B

"When focusing on change, we can learn what factors are more influential, why change is fast or slow, how organizational members react to such change, and how change impacts on the social and economic well-being of a society. Changes might occur deliberately or accidentally and it guides us to understand how environmental factors shape internal processes within organizations. Change is a learning methodology. Understanding changes along with historical and geographical concerns would constitute a realistic knowledge of management accounting".

You are required:

5.3. Do you agreed with the above given scenario. **Justify** your answer.

(08 Marks)

[Total 20 Marks]

-End of the Question Paper-