

PILOT PAPER – 2023-2027 SYLLABUS

SL4.1 Sustainability & Strategic Management Accounting

Strategic Level

No of Pages: 07 No of Questions: 05

Time allowed: 3 Hours and 15 Minutes (Including 15 minutes of reading time).

Total Marks: 100

Exam Structure

This exam is consisting of two parts.

Part-1

- One compulsory essay question.
- 40 marks in total

Part- II:

- Four Essay Questions (Question No 02-05)
- Each 20 marks and 60 marks in total
- Select any 03 questions from part-II

Answer only four (04) questions including question no. 01

Other Instructions

- The answers should be in **English** language.
- Begin each answer on a separate page in the answer booklet.
- Only non-programmable calculators are permitted to use.

Part I – Compulsory Question

QUESTION NO: 01

Background: The Telecommunication Industry in Sri Lanka

The information technology and business services sector is one of the prominent industries in Sri Lanka. It is the fourth largest export earner with a large number of companies in different sub-segments such as telecommunications, computer, and information services. The industry maintains its standards equal to global requirements. Among sub-segments, the telecommunications sector is one of the most dynamic and competitive sectors in Sri Lanka. The demand for telecommunications skyrocketed in Sri Lanka while cellular mobile voice telephony density has increased to 130 per 100 persons. There is a momentous competition among three fixed-line operators, four mobile phone operators, and nineteen other service providers. Further, the competition in the telecommunications industry accelerates by globalization, technological advancements, and an increase in customer awareness.

Alpha PLC

Alpha PLC is one of the major players in the Sri Lankan telecommunication industry that has operated for more than four decades. They had initiated their business as a private company before converting it to a Public limited company. It is a now subsidiary of a foreign telecommunication company. Alpha PLC is operating as a group of companies having several subsectors in the industry. This company is highly regarded as an innovative and continuous improvement-led company not only in Sri Lanka but also in South Asia. Their employee base is more than 4,000 supporting the live hoods of over 100,000 families. Alpha PLC's subscriber base covers over 97% of the population. They have won numerous awards for customer service, quality management, business excellence, and preparation of financial reports as they have been able to sustain their reputation for sound accountability and corporate governance practices.

SMA Practice in Alpha PLC

Alpha PLC realizes the need for broad-based information covering financial and non-financial perspectives ranging from internal to external considerations to facilitate managerial decision-making. Even though Alpha PLC is not using the term "Strategic Management Accounting (SMA)" specifically, they adopt several types of SMA techniques. The company uses activity-based costing, life cycle costing, target costing, quality costing, and value chain costing to trace costs. But they use their parameters for life cycle costing to identify specific cost items such as customer acquisition cost, marketing-related cost, and specific cost requirements for their products. They

use value chain costing mostly to decide prices for their products. The application of value chain costing is handled by the Corporate Planning and Corporate Finance departments.

Similarly, the SMA techniques from a customer perspective are prepared in several departments such as Marketing, Research and Intelligence, Management Accounting, and Corporate Planning. Alpha PLC mostly uses its management information systems to prepare customer perspectives SMA techniques, such as customer behavior analysis, brand tracker, customer value mapping, and top-of-mind awareness. The firm is able to generate information on customer size, customer usage, customer perception, customer preference, and customer behavior for different situations, such as tax changes. Customer value mapping is a distinct SMA technique initiated by Alpha PLC. It is a parameter for customers in their decision-making referring to the value enjoyed by them such as price, convenience, availability, and quality of service as value position to customers is one major concern for them.

On the other hand, Alpha PLC pays considerable attention to SMA techniques in competitor focus. One of the main SMA techniques in competitor focus is competitor analysis based on financial statements. They strictly monitor the significant movements in competitors via their financial reports, information published by the Telecommunication Regulation Commission, competitor advertisements, and newspaper articles due to the intense competition in the industry.

Alpha PLC has a special interest and concern in Balance Scorecard (BSC) Technique as it was first introduced to the firm by their first Sri Lankan CEO, who is called 'the game changer in Alpha PLC'. Precisely, he introduced the BSC technique with four leaderships replacing traditional perspectives in BSC namely; value and profit, market leadership, product and quality leadership, and employees. This leadership framework becomes the beacon for the most of strategic decisions and they use KPIs to track their path. Except for BSC, they also follow benchmarking techniques under performance perspective by referring to internal, external as well as best practices from their sister companies and other companies in the regional countries such as India, Thailand, Malaysia, Bangladesh, and practices of leading companies in other industries.

The SMA techniques are well practiced in Alpha PLC even though they didn't centralize it to one department. The main influencing factors for SMA adoption in Alpha PLC are the highly dynamic and competitive business environment, the vigilant customers on products and new trends, and the influence of top management due to the advancement of their knowledge. Further, the practice of SMA techniques becomes a crucial requirement to secure their position in the corporate landscape. Therefore, the adoption of SMA tools is not confined to Finance or

Management Accounting departments but spreads over different business units such as Marketing, Research and Intelligence, Regional Businesses, Corporate Finance, and Corporate Planning. But, the Corporate Planning department dominates the whole process of practicing SMA techniques in Alpha PLC because the senior managers in most departments are well-equipped with Strategic Management and Accounting knowledge from their post-graduate studies even though they started their career from an engineering background .

YOU ARE REQUIRED TO:

PART A

- 1.1. **Discuss** how Alpha PLC uses value chain analysis to create value for its customers:
(04 Marks)
- 1.2. “Competitor Analysis is one of the highly identified SMA tools in Alpha PLC”. Do you agree with the statement? **Justify** your answer:
(08 Marks)
- 1.3. Critically **evaluate** the influencing factors for the evolution of SMA tools in Alpha PLC and recommend further development needed for better usage of them for successful strategic decisions:
(10 Marks)

PART B

- 1.4. “The Management Accountants’ sole authority of preparing Management Accounting techniques has faded in the contemporary business environment”. **Discuss** the above statement referring to Alpha PLC:
(04 Marks)
- 1.5. **Discuss** the relationship between product pricing mechanism and SMA tools in Alpha PLC:
(06 Marks)
- 1.6. “The leadership framework becomes the beacon for the most strategic decisions.” **Evaluate** the above statement with reference to Alpha PLC:
(08 Marks)
- [Total 40 Marks]**

Part II – Answer any 03 questions.

QUESTION NO: 02

PrintMe is a leading newspaper printing company in Sri Lanka. Its printing needs are met by a plant located in Kaduwela. General Manager, who is keen to roll out many green initiatives at the plant, used scientific proof of information with the help of environmental management accounting (EMA) in both pre-and post-project implementation stages. The printing plant carried out the investment appraisal of the green initiatives prior to the adoption, firstly, in physical terms and, then, in monetary terms (Situation 1). Similarly, after the implementation, the effectiveness of the green initiatives has been assessed both in physical and monetary terms (Situation 2).

YOU ARE REQUIRED TO:

2.1. Analyze the information in the above Situation 1 and 2 based on the Comprehensive Framework for EMA as suggested by Burritt, Hahn, and Schaltegger (2002).

Note: You are supposed to draw the framework and map the information appropriately with justifications:

(10 Marks)

2.2. Discuss why many Sri Lankan organizations still prefer to rely only on physical information when evaluating green capital investments:

(10 Marks)

[Total 20 Marks]

QUESTION NO: 03

Natural Care is a listed company that manufactures a range of herbal care products. The company is highly regarded as it continuously adds innovative products that are highly valued by its customers.

YOU ARE REQUIRED TO:

3.1. Discuss three different ways in which sustainability aspects can be incorporated into a performance measurement system based on the Balanced Score Card (BSC) for Natural Care:

(06 Marks)

3.2. Discuss three Key Performance Indicators (KPIs) each for the environmental and social performance for the company assuming it wishes to minimize the environmental impacts and maximize social equity:

(06 Marks)

3.3. Evaluate how the 'Integrated Annual Report' of the company prepared based on the integrated reporting model would contribute to reflecting sustainability embodiment into its corporate strategy and operations:

(08 Marks)

[Total 20 Marks]

QUESTION NO: 04

'Marble' is a leading apparel company that represents one of the best examples for the concept of a 'green garment factory' in the apparel industry. The company is operating in a very competitive global environment, using advanced manufacturing technologies in the production processes. At the progress meeting held in December 2022, Marble's current performance measurement process was criticized by a consultant appointed recently. He noted that the more traditional performance measures currently being used by the company managers provide poor and misleading signals, which do not adequately support the needs of today's organizations. The consultant believes in and works on monitoring competitors' action closely and carrying out research and development activities with the intention of introducing new products to the market. He argued that in order to overcome the deficiencies and to address properly the needs of apparel manufacturing companies, it may be useful for the managers to consider the Balanced Score Card (BSC) approach developed by Kaplan and Norton.

YOU ARE REQUIRED TO:

4.1. Discuss three main reasons for the consideration of introducing BSC by the consultant as a strategic management tool to the 'Marble':

(06 Marks)

4.2. Produce a BSC for 'Marble' while addressing the main issues identified in part: (4.1). (Note: In your answer, you are required to specify an objective for each perspective, and two measures and two initiatives for each objective.)

(14 Marks)

[Total 20 Marks]

QUESTION NO: 05

The need for organizations to be more acclimatized and to be more vigilant in the external environment creates a new avenue for Strategic Management Accounting. In the contemporary business world, there is an upcoming trend of adopting SMA techniques globally. But, compared to the Western context, the usage of SMA techniques in developing countries is in the early stage and it is little explored. But, the nature and extent of the use of SMA techniques in the Fourth Industrial Revolution are influenced by the internet and related information technologies such as cloud services, big data, blockchain, and Artificial Intelligence which will facilitate the rapid transformation to the digital economy and industry by mitigating inefficiencies and loopholes not only privately owned but also state own firms.

YOU ARE REQUIRED TO:

5.1. Evaluate how the Internet and related information technologies could be enhanced the usage and value of SMA practices for better decision-making in a dynamic business environment:

(09 Marks)

5.2. Discuss the challenges in implementing and practicing SMA techniques in developing economics compared to developed economics:

(06 Marks)

5.3. “There is a considerable number of criticisms for the effective and efficient utilization of resources and accountability of the Public Sector Enterprises. Therefore, the implementation of technical driven management accounting practices can be as suitable solution for the identified issue”. Are you agreeing with the above statement? **Justify** your answer:

(05 Marks)

[Total 20 Marks]

-End of the Question Paper-