



**Institute of Human Resource Advancement (IHRA)  
University of Colombo, Sri Lanka**

**Master of Business Management**

**Course No: 12/2024 - 1<sup>st</sup> Trimester Examination  
(Held in August, 2024)**

**MBM 5131 –  
Principles and Practice of Management**

**Instructions to the Candidates**

1. This paper consists of six (06) questions and three (03) pages.
2. Answer any **four (04)** questions only.
3. Time allocated for the examination is **three (03) hours**.
4. Write your Index Number on all pages of answer script.
5. If a page or a part of this question paper is not printed, please inform the Supervisor immediately

✓ 1. 'Management has become a demanding field and traditional managers always face a problem of survival in the market at present.'

i. Describe how the role of the manager in a traditional setting differs from that of a multinational entity

(07 Marks)

ii. Explain possible challenges that a manager could face in current environmental settings.

(08 Marks)

iii. Explain what tools managers should possess in handling the digitalized organizational settings.

(10 Marks)

**(Total 25 marks)**

+ 2. Assuming you are a member of a leading supermarket chain of your choice, address the following questions,

i. Analyze the environmental situation for the selected organization based on assumptions you have developed.

(07 Marks)

ii. Explain the future challenges and opportunities that you could recognize with the selected organization.

(08 Marks)

iii. Propose appropriate strategy that organization should follow to deal with challenges and opportunities identified. Justify your argument.

(10 Marks)

**(Total 25 marks)**

✓ 3. 'Many organizations attempt to engage with planning initiatives while some organizations are in ignorance.'

i. Describe pre-requisite for the organizational planning.

(07 Marks)

ii. Elaborate why organizations show less engagement and interest in planning.

(08

Marks)

iii. Describe different types of planning tools available for organizations

(10 Marks)

**(Total 25 marks)**

- face a
4. "One of the key concerns for organizational failure is communication, many managers and employees required to commit to effective communication".

i. Elaborate above statement with suitable examples.

(07 Marks)

ii. Explain the reason for the failure in organizational communication and develop possible strategies to manage such failures.

(08 Marks)

iii. Elaborate possible Communication types and indicate their suitability for the different organizational communication.

(10 Marks)

**(Total 25 marks)**

5. 'Organizations are attempting to control their activities and ensure compliance with the given standards'

i. Elaborate above statement and propose possible controlling mechanisms used by organizations

(07 Marks)

ii. Briefly describe Different types of organizational structures available for organizations in practice.

(08 Marks)

iii. Describe how an organization could undertake planned change such as automation, merger or acquisition

(10 Marks)

**(Total 25 marks)**

- ✓ 6. Write short notes on followings.

i. Leader Vs. Member

ii. Tall and Flat organizations

iii. Two Factor Theory Vs. Expectancy Theory

iv. Environmental Scanning

v. Organisational Politics

**(5 Marks each; Total 25 marks)**

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**Master of Business Management**

**Course No: 12/2024 - 1<sup>st</sup> Trimester Examination  
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**MBM 5132 –  
Accounting for Managerial Decision Making**

**Instructions to the Candidates**

1. This paper consists of five (05) questions and seven (07) pages.
2. Answer any **four (04)** questions only.
3. Time allocated for the examination is **three (03) hours**.
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### Question No.01

- (a) Evaluate how the information provided by accounting practices influences decision-making for both internal managers and external investors.

(07 Marks)

- (b) Explain how accurate financial data supports strategic planning, operational efficiency, and investment decisions.

(08 Marks)

- (c) (i). Discuss the various types of cost centers used in cost accounting, including production cost centers, service cost centers, and administrative cost centers.

- (ii). Explain how each type of cost center contributes to the overall cost management and control process within an organization.

(10 Marks)

(Total 25 Marks)

### Question No.02

- (a) Lanka Enterprise is a leading company in the consumer electronics sector in Sri Lanka with a diverse product portfolio that includes Electric Ketel, Rice Cookers and Heaters. Recently, the management has identified that the Heater division has been underperforming and is impacting on the company's overall profitability. They are now evaluating whether to phase out the Heater product line to develop financial performance.

#### Estimated Income and cost information:

Products	Total Rs.'000	Electric Ketel Rs.'000	Rice Cookers Rs.'000	Heaters Rs.'000
Sales Revenue	1500,000	700,000	500,000	300,000
Variable cost -Material	400,000	180,000	140,000	80,000
Labour	365,000	190,000	100,000	75,000
Fixed cost	630,000	210,000	225,000	195,000
Operating Income	105,000	120,000	35,000	(50,000)

**Additional Information:**

The fixed costs include a shared warehouse rental cost Rs.450,000 per product line.

There is a dedicated manager for the heater line whose annual salary is Rs.10,000,000

***You are required to***

- (i) Determine the impact on the overall profitability of Lanka enterprise if the Heater product is discontinued.
- (ii) Advise the management on whether they should discontinue the Heater product line based on their findings.

**(10 Marks)**

- (b) "If the sales forecast of your organization is subject to error, then there is no purpose of budgeting"? Do you agree? Discuss your answer, considering how budgeting can still be valuable even if sales forecasts are not entirely accurate.

**(07 Marks)**

- (c) Bright Ltd., a manufacturing company, has prepared a detailed budget to produce 100,000 units of a product for a given costing period. The budgeted costs are as follows:

Direct Materials: Rs. 20.08 per unit

Direct Labour: Rs. 7.00 per unit

Direct Expenses: Rs. 0.80 per unit

Works Overhead: Rs. 20.00 per unit (70% fixed)

Administration Overheads: Rs. 2.40 per unit (60% fixed)

Sales Overheads: Rs. 1.20 per unit

Budgeted production in the period was only 80,000 units.

Prepare budget for following production levels

- (i) 1,00,000 production units.
- (ii) 80,000 production units.

**(08 Marks)**

**(Total 25 Marks)**



### Question No.03

- a. Discuss the concept of breakeven analysis, including its key components such as cost-volume-profit (CVP) analysis, margin of safety, and contribution to sales (C/S) ratio.

(05 Marks)

**b. Gourmet Snacks Ltd.** is considering launching a new line of premium snack bars. The company has projected the following financial details for the new product: each snack bar is sold for Rs.60, with a variable cost of Rs.30 per snake bar. The monthly fixed costs for producing the snack bars are Rs.600,000. The company expects to sell 120,000 snack bars per month.

The management is particularly concerned about the financial implications of potential cost changes. They anticipate a 10% increase in fixed costs due to higher rental expenses and fixed overheads. Additionally, there is a possibility of a 20% increase in variable costs due to rising raw material prices. The company also aims to achieve a 15% return on its total investment of Rs.1500,000 for this new product line.

*You are required to:*

- (i) Calculate the breakeven point in units and Rupees for the snack bars. Determine how many snack bars need to be sold each month to cover all fixed and variable costs.
- (ii) Determine the monthly sales volume required to achieve a 15% return on the total investment. Find out how many snack bars need to be sold to meet this return target.

(10 Marks)

(c) **Star Plastic Company** operates with a manufacturing division that produces plastic buckets and a sales division responsible for distributing these buckets. The manufacturing division incurs a variable cost of Rs. 200 per bucket and fixed costs totaling Rs. 500,000 annually, with a production capacity of 2,000 buckets per year. The sales division sells these buckets to external customers at Rs. 700 each. The company is now analyzing its transfer pricing strategy for buckets transferred between these divisions.

- (i) Calculate the minimum transfer price that the manufacturing division should charge the sales division to cover its total costs and achieve a 25% profit margin on the total cost of production.
- (ii) What factors should Star Plastic Company consider when selecting a transfer pricing approach to ensure that it aligns with the company's overall financial and operational goals?

(10 Marks)

(Total 25 Marks)

### Question No.04

- (a) Describe how understanding the different behaviors of fixed, variable, and mixed costs can impact the company's strategic decisions, such as whether to expand production, outsource certain functions, or adjust pricing strategies.

**(07 Marks)**

- (b) Star Ltd. faces a shortage of material P and has received a government import license to import up to 50,000 kg of material P. However, due to fluctuating demand, the company can import an additional 10,000 kg at a premium price of Rs. 15 per kg. Fixed costs associated with production increase by Rs. 100,000 for every additional 1,000 units of product produced.

Other details are as follows:

- ❖ Product X: Selling Price Rs. 450, Material X Required 6 kg, Variable Costs Rs. 180 per unit, Fixed Overhead Rs. 60 per unit.
- ❖ Product Y: Selling Price Rs. 550, Material X Required 5 kg, Variable Costs Rs. 200 per unit, Fixed Overhead Rs. 70 per unit.
- ❖ Product Z: Selling Price Rs. 650, Material X Required 4 kg, Variable Costs Rs. 250 per unit, Fixed Overhead Rs. 80 per unit.

***You are required to***

- (i) Calculate the optimal product mix if the company decides to import an additional 20,000 kg.
- (ii) Calculate the total profit, considering the increased material cost and additional fixed costs associated with the production increase.

**(10 Marks)**

- (c) Sri Lanka Garment manufactures Special Leather Traveling bags and currently operates at full capacity, producing 2,000 bags per month. They have received a special order for an additional 500 Special Leather Traveling at a reduced price of \$250 per Bag. The variable cost per bag is \$180, and the fixed overhead costs are \$60,000 per month. The selling price per Bag for regular sales is \$500.

You are required to

- (i) Calculate the incremental profit or loss associated with accepting the special order.



(ii) Assume Sri Lanka Garment has the option to increase its production capacity by 25% by investing in additional machinery. The investment cost for this capacity increase is \$100,000. Analyze how this investment might affect the decision to accept the special order. Consider both the impact on the incremental profit or loss and the overall financial implications of the investment.

(08 Marks)

(Total 25 Marks)

### Question No.05

(a) How does common size analysis enable the effective comparison of financial performance metrics across companies of varying sizes within the same industry.

(04 Marks)

(b) The financial performance of two companies, Alpha Ltd. and Beta Ltd., for the year ended 31.03.2024. Below are summarized financial statements for both companies.

Income statement highlights for the year ending 31.03.2024

Item	Alpha Ltd. Rs'000	Beta Ltd Rs'000
Revenue	18,000	15,000
Cost of goods sold	10,800	9,000
Operating expenses	3,000	3,000
Interest Income	750	600
Income tax expenses	900	900

Statement of Financial Position as at 31.03.2024

Item	Alpha Ltd. Rs'000	Beta Ltd Rs'000
Current Assets	4,500	3,750
Noncurrent Assets	9,000	7,500
Current Liabilities	3,000	2,625
Non-current liabilities	7,500	5,625
Shareholders' Equity	7,500	5,250
Number of Shares outstanding	1,500	1,500

**Using the above information, you are required to**

- (i) Calculate the following key financial ratios for both companies:
- (1) Profitability Ratios: Gross Profit Margin, Net Profit Margin and Return on Equity (ROE)
  - (2) Liquidity Ratio: Current Ratio
  - (3) Solvency Ratios: Debt to Equity Ratio and Interest Coverage Ratio
- (ii) Discuss the Financial Health and Stability of Each Company Based on the Calculated Ratios.

**(15 Marks)**

- (c) Alpha company is deciding whether to continue manufacturing product P or to purchase it from an external supplier. The cost information for producing product P in-house is provided below:

Cost of product P – For 5000 units

Cost item	Cost per unit (Rs.)	Total Cost (Rs.)
Direct Material -X	6	30,000
Y	4	20,000
Direct Labour	7	40,000
Variable overhead	5	25,000
Fixed Overhead charged	7	35,000
Total Cost	29	150,000

An external supplier (Beta company) has offered to sell Product P at Rs 24 per unit.

Additional Information:

- ❖ Out of the total fixed overhead charged, Rs 12,000 represents costs that will continue regardless of whether Product P is produced or purchased (such as depreciation and rent).

You are required to advise the management of Alpha Company on whether they should continue manufacturing Product P, or should they purchase it from an external supplier (Beta company)? Provide a detailed analysis to support your decision.

**(06 Marks)**

**(Total 25 Marks)**

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## **MBM 5133 – Business Communication**

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1.(a). Explain the “**Communication process**” by describing the components of sender, message, medium, and receiver.

(15 marks)

1.(b). Based on your understanding, what are the internal and external barriers that can affect the effective communication?

(10 marks)

2. Your daughter is following a course in Entrepreneurship at University. She has been given an assignment on the basics of **negotiation skills** as a communication tool. Explain to her terms such as; BATNA, ZOPA, Win-Win situation. Using a real-life example explain the benefit of practicing good negotiation skills in any situation.

(25 marks)

3. (a). Many managers dislike delegation and prefer to do it themselves. However, “delegation is considered an art and a skill”. Discuss your response by examining the pros(good) and cons(negative) of **delegation**.

(15 marks)

3.(b). Explain two reasons why Managers dislike delegating.

(10 marks)

4. **Jithmi** your youngest sister has recently joined a private bank as a junior executive. You are currently the Assistant Bank Manager in a reputed Commercial bank, having over 10 years of experience. She asks you to share some tips on the importance of **Customer Relationship Management (CRM)** when managing high-net worth clients. Advise your sister by sharing what you have learned in class.

(25 marks)

5. (a). Select a **leader** who inspires you and describe the characteristics that make him or her a leader.

(15 marks)

(b). Explain how the chosen **leader** communicates and interacts with his/her followers.

(10 marks)

6. Sri Lankan people and businesses faced huge challenges during the Covid pandemic. However, the increased **use of social media and online communication** helped most businesses to develop, and perform even better. Explain your answer by providing **one real-life example** from a business environment.

(25 marks)

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