



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

Master of Science in Service Management Course, 2023 Intake – No 09
(English Medium)
2nd Trimester Examination
(Held in November/December, 2024)

MSM 5231- Accounting for Services

Instructions to the Candidates

- (1) This paper consists of five (05) questions and eight (08) pages.
- (2) **Answer ANY FOUR (04) Questions.**
- (3) Time allocated for the examination is three (03) hours.
- (4) Write your Index Number on all pages of answer scripts.
- (5) Tie up all answer sheets at the end of the examination.
- (6) If a page or a part of this question paper is not printed, please inform the Supervisor immediately.

Question Number 01:

a. Discuss the primary purpose of accounting in service organizations and its usefulness in decision-making for internal and external stakeholders?

(07 Marks)

b. Distinguish the financial accounting and management accounting in service-oriented business organizations.

(07 Marks)

c. i. What are the key challenges in accounting for service organizations?

ii. How do ownership structures (e.g., sole proprietorships, partnerships, Limited liability company) affect the accounting for service-oriented businesses?

(11 Marks)

(Total 25 Marks)

Question number 02:

a. Why do managers consider direct costs to be more accurate than indirect costs? Explain with examples.

(05 Marks)

b. i. How do you differentiate the fixed cost and the variable cost in a service-oriented organization? And explain the way of using fixed costs and variable costs in determining the break-even point.

(05 Marks)

ii. **BlueSky Consulting Ltd.** is a service-based organization that provides business consulting services to small and medium-sized enterprises (SMEs). The company uses management accounting to guide its decision-making process. For the month of June in 2024 the following information is available.

Type of cost	Variable cost	Fixed cost (Per month)
Consultants' direct labor (per hour)	100	
Office supplies and materials (per hour)	10	
Rent and utilities for office space		12000
Administrative salaries		8000
Marketing and advertising cost		3000

Additional Information:

BlueSky is considering a special project for a new client. The special project would require 300 hours of consulting work at a rate of Rs. 230 per hour. The company will incur no additional fixed costs for this project and the variable costs per hour will remain the same.

i. Calculate the contribution margin per hour and the total contribution margin for the month of June.

ii. Calculate the break-even point in hours and in dollars of BlueSky Consulting for the month of June.

iii. BlueSky Consulting has a target profit margin of 20% of its consulting revenue. Calculate the total consulting revenue needed to achieve this target profit.

iv. **You are required to make the following special project decision:**

(A) Should BlueSky Consulting accept the special project? Justify your decision based on contribution margin and fixed costs considerations.

(B) If BlueSky accepts the special project, calculate the increase or decrease in overall profit.
(15 Marks)

(Total 25 Marks)

Question Number 03:

a. How can variance analysis be used to evaluate financial performance in service-based industries?

(08 Marks)

b. Company XYZ is a professional services firm specializing in business consulting. The company employs senior consultants, junior consultants, and interns. They are paid at the following standard rates:

- Senior Consultant: Rs. 1,500/hour
- Junior Consultant: Rs. 1,200/hour
- Intern: Rs. 800/hour

The company typically provides client hours in the following proportions during a 40-hour working week:

- Senior Consultants: 50 employees
- Junior Consultants: 30 employees
- Interns: 20 employees

The company expects to deliver 2,000 hours of services for their clients during a normal week, split across the different employee types.

During the week ending 31st March, the following staffing and payment conditions occurred:

❖ **Actual Staff:**

Senior Consultants: 55 employees

Junior Consultants: 35 employees

Interns: 15 employees

❖ **Actual Pay Rates:**

Senior Consultant: Rs. 1,400/hour

Junior Consultant: Rs. 1,100/hour

Intern: Rs. 750/hour

❖ **Actual Output:** The company delivered 1,900 client hours during the week.

You are required to compute,

- i. **The Labor Rate Variance (LRV)** for each category of employee (Senior Consultant, Junior Consultant, Intern).
- ii. **The Labor Efficiency Variance (LEV)** for each category of employees.
- iii. **The Total Labor Cost Variance** for the company.

(12 Marks)

c. How does investment appraisal help in evaluating long-term projects or investments in the service sector?

(05 Marks)

(Total 25 Marks)

Question number 04:

- a. i. Discuss the various types of budgets used in service organizations.
- ii. What are the limitations of budgetary control in service orient organizations?

(05 Marks)

b. Alpha Consulting Ltd. is a professional services firm that offers consultancy and advisory services to small and medium-sized businesses. The company needs to prepare a cash budget for the months of March and April, based on the following information. Your task is to prepare a detailed cash budget for Alpha Consulting Ltd. for March and April, to assess its liquidity and cash flow requirements.

Opening Cash Balance:

The cash balance at the beginning of March is Rs. **45,000**.

Sales Data:

Alpha Consulting Ltd. generates income from both **cash sales** and **credit sales**. The company follows a specific pattern for collecting payments from its clients:

Cash Sales: The company receives full payment immediately in the month of the sale.

Credit Sales: Credit sales are collected as follows:

- 40% in the month of the sale
- 50% in the month following the sale
- 10% in the second month following the sale

The forecasted sales for **March and April** are as follows: All figures are thousands

Month	Cash sales	Credit sales	Total sales
January	25,000	50,000	75,000
February	28,000	55,000	83,000
March	30,000	60,000	90,000
April	35,000	65,000	100,000

Operating Expenses: These expenses are paid in full during the month they are incurred.

- ❖ The company incurs regular operating expenses every month, including salaries, office rent, utilities, and office supplies.
- ❖ **Salaries:** Rs.12,000 per month
- ❖ **Office Rent:** Rs.4,000 per month
- ❖ **Utilities:** Rs.1,200 per month
- ❖ **Office Supplies:** Rs.1,000 per month

Other Cash Flows:

- ❖ In March, the company will also make a **loan repayment** of Rs.5,000, which is due for payment.
- ❖ In April, Alpha Consulting plans to purchase **new computer equipment** for Rs.8,000.

Prepare a detailed cash budget for Alpha Consulting Ltd. for the months of March and April.

(12 Marks)

c. "Cash Flow Analysis is a vital tool for evaluating the financial health of a company, assessing its liquidity, and making both operational and strategic decisions." Discuss the importance of cash flow analysis for service organizations. Why is cash flow especially critical for service-based businesses?

(8 Marks)

(Total 25 Marks)

Question Number 05:

a. **Company XYZ** is a **management consulting firm** that has been using a **Cost-Plus Pricing** model for its services. The company charges clients based on the cost of providing services plus a markup. However, **Company XYZ** is considering a shift to a **Customer-Based (Value-Based) Pricing** model for its **high-value clients**, where the price is determined by the perceived value the client gains from the service, rather than the company's costs.

The company provided the following information:

Hourly Labor Cost: Rs.150 per hour (including all direct labor and operational costs)

Average Project Duration: 100 hours

Total Annual Fixed Costs: Rs.500,000 (includes office rent, administrative salaries, marketing, etc.)

Expected Client Retention Rate: 75%

Perceived Value to High-Value Clients: Rs.20,000 for a 100-hour project (based on customer feedback)

The firm handles 50 projects per year

Competitor Pricing: The industry average for similar consulting services is Rs.180 per hour.

You are required to:

- i. Calculate the price per hour that **Company XYZ** should charge under the **Cost-Plus Pricing** model, assuming the company aims for a **20% profit margin** on its total costs.
- ii. Calculate the price per hour that **Company XYZ** should charge for **high-value clients**, where the price reflects the perceived value of the service to the client, based on the **Customer-Based (Value-Based) Pricing** model.
- iii. Determine which pricing model would you recommend for **high-value clients**?

(10 Marks)

b. **Tech Solutions Ltd.** is a prominent IT consultancy and software development firm that offers a range of services including custom software solutions, IT consulting, and system integrations. The company has expanded its operations globally and is now serving both large enterprises and small businesses. The firm has a strong reputation in the industry, but it is facing challenges related to

cash flow management and profitability. The following are the extracted financial details from the book of Tech **Solutions** (Pvt) Ltd for the financial year **2023/2024**.

	2022/2023 (Rs.)	2023/2024 (Rs)
Sales Revenue	4,500,000	5,000,000
Operating Profit/ EBIT	1,500,000	1,900,000
Net Profit after Taxation	700,000	1,200,000
Trade Receivables	700,000	900,000
Accrued expenses	70,000	120,000
Trade Payables	500,000	400,000
Prepaid Expenses	450,000	550,000
Stated Capital (Rs.10 each)	3,000,000	3,000,000
Preference Share Capital	1,500,000	1,500,000
Debentures Issued	500,000	500,000
Long term bank loan	1,000,000	900,000
Preference shares dividends	100,000	90,000
Cash and Cash Equivalents	200,000	300,000
Debenture Interest expenses	50,000	50,000
Loan Interest Expense	150,000	160,000
Reserves	1,000,000	1,950,000
Non-current Assets	10,000,000	12,000,000
Ordinary share dividends	300,000	300,000
Market Price per Share	120	130

Assumptions:

- 80% of sales are on a credit basis.

Using the above information, you are required to:

i. Calculate the following financial ratios

- Net Profit Margin
- Debt-to-Asset Ratio
- Debt-Equity Ratio
- Current Ratio
- Debtors Collection Period (Days)

ii. Provide a detailed and in-depth analysis of the company's performance using the above ratios, focusing on profitability, liquidity, operational efficiency, and financial leverage. Then, provide strategic recommendations for improving the company's financial performance based on your analysis.

(15 Marks)

(Total 25 Marks)



Institute of Human Resource Advancement (IHRA)

University of Colombo, Sri Lanka

Master of Science in Service Management Course, 2023 Intake - 09

(English Medium)

2nd Trimester Examination

(Held in Nov/Dec, 2024)

MSM 5232: Organization, People and Performance Management

Instructions to the Candidates

- (1) This paper consists of six (06) questions and four (04) pages.
- (2) **Answer only Five (05) questions.**
- (3) Time allocated for the examination is three (03) hours.
- (4) Write your Index Number on all pages of answer scripts.
- (5) Tie up all answer sheets at the end of the examination.
- (6) If a page or a part of this question paper is not printed, please inform the Supervisor immediately.

Question No 01

"Economic and Social conditions have mostly impacted for service sector organizations in Sri Lanka and faced for the challenge of managing behaviors of their employees. You have also been experiencing changes of your and other employees' behaviors and work-related attitudes in this situation".

You are required to:

- a) Identify Two (02) employee-related organizational behavior issues pertaining to the above situation and explain those with examples.

(10 Marks)

- b) List major work-related attitudes related to the above situation and explain with examples.

(10 Marks)

(Total 20 marks)

Question No 02

XYZ Service Organization introduced major workplace changes that shifted the normal workplace practices and work related behaviors of all employees in the organization. With New changes, they have to work long working hours, they are fear on safety issues, high task demand, leadership behavior, work overload, increase the interpersonal demand and task demands.

You are required to elaborate above situation based on your knowledge on below organizational behavior concepts:

- a) Stress at workplace
b) Change at workplace

(20 Marks)

Question No 03

- a) List and explain Five (05) appropriate motivational tools to be applied in a service-oriented business organization in Sri Lanka.

(10 marks)

- b) Organizational culture is important and highly impacted for changing organizational level performance.

Explain how the organizational culture at your organization impacted changing organizational-level performance.

(10 marks)

(Total 20 marks)

Question No. 04

- c) Job designing is not a one-short function of Human Resource Management (HRM) in a business organization. Already designed job should be redesigned as appropriate considering two types of designing elements. Explain those two types elements to be considered in productive job designing.

(10 marks)

- d) Explain an appropriate process of employee selection to be applied in a service-oriented business organization in Sri Lanka.

(10 marks)

(Total 20 marks)

Question No. 05

- a) Employee discipline is considered as the correct behaviors at work as prescribed by the organization. Explain two types of employee discipline that use to promote the legally and ethically correct behaviors at work.

(10 marks)

- b) Describe the process of domestic inquiry to be conducted against an employee suspected for a serious offence.

(10 marks)

(Total 20 marks)

Question No. 06

- a) Discuss the possible decisions that an employer can take regarding the employment of probationers at the end of their probationary period.

(10 marks)

- b) Currently Sri Lanka has been labeled as a corrupted country by many international organizations. Discuss how proper Human Resource Management practices could contribute developing the economy by eradicating the corruptions.

(10 marks)

(Total 20 marks)



Institute of Human Resource Advancement (IHRA)

University of Colombo, Sri Lanka

Master of Science in Service Management Course, 2023 Intake - 09

(English Medium)

2nd Trimester Examination

(Held in Nov/Dec, 2024)

MSM 5233: Technology Management in Services

Instructions to the Candidates

- (1) This paper consists three (03) pages.
- (2) There are two parts in this question paper. Read the extract and answer the question given in Part one. Part One is compulsory and students are required to answer the question at the end of the extract. Answer 03 questions out of 05 questions in part two.
- (3) Time allocated for the examination is three (03) hours.
- (4) Write your Index Number on all pages of answer scripts.
- (5) Tie up all answer sheets at the end of the examination.
- (6) If a page or a part of this question paper is not printed, please inform the Supervisor immediately.

Part One

Read the below extract from taken from Globalization of Services - Game changing decade by Oliver Wyman and answer the question below.

In the next decade, explosive growth is anticipated for services worldwide, exceeding 30 percent. This phenomenon is driven by three major shifts: the digitalization of service business models, the growth of demand in emerging countries and the deregulation of national markets.

Digitalization as a business model naturally facilitates service globalization by making it easier for companies to address new customer segments beyond the traditional bricks-and-mortar business. Such digitalization lowers market barriers but simultaneously opens traditional players to the risk of foreign competitors. Past a certain threshold – estimated at 15 percent of sales – digital throws the old market organization for a loop. Players which have been able to form truly global digital platforms have thus rewritten the game rules in their industry.

By playing the role of information aggregator, Google managed to capture the lion's share of online advertising revenues, completely upsetting the profit model of traditional media (press, radio, television). Traditional media players generate 86 percent of advertising revenues in the physical environment, but represent only 22 percent of the digital advertising market.

Apple has established itself in music distribution, with an 80 percent market share in online music by breaking the traditional industry rule forcing consumers to buy an entire album to acquire a single song. Today, Amazon is leading a similar revolution in the book industry (currently claiming 60 percent of the digital books market) by skirting the usual normative pricing structure and facilitating self-publishing.

In the travel industry, operators such as Expedia and Booking are positioning themselves as direct competitors to travel agencies and hotel operators to capture customers. Reservations are made on the web on an increasingly massive scale.

In the software and IT services industry, IBM, Microsoft and Devoteam are delivering cloud computing services to help customers cut costs (an estimated 35 percent reduction in spend on online messaging and file transfers) and manage their installed software more efficiently. The cloud is used to render intangible a certain number of products which used to be distributed physically, with transfer of ownership.

In other words, where is the labor needed to provide the service? We define "global services" as intellectual services which can be completely dematerialized (professional services, IT,

media, etc.). Global services are the most easily exportable and highly vulnerable to global competition. They are also the most highly valued and in segments with the highest growth potential – they currently represent 33 percent of global services revenues. “Local services” (personal services, transportation, hotels, etc.) are traditionally fragmented and immature. The related labor force is local and not likely to be relocated. However, due to digitalization and market consolidation (e-commerce, franchises, platform pooling, etc.), local services are increasingly exposed to global competition. Finally, “intermediary services” refer to local services which can be delivered remotely thanks to e-commerce, and play an important intermediary role between the goods and services markets.

1. With the changes happening across globe as per the above article explain, the opportunities Sri Lanka has in detail with reference to rapid technology adaption happening globally.

(25 marks)

Part Two

1. Describe enterprise technology trends and explain how they influence operations in the service industry in details.

(25 Marks)

2. Describe one automated process of your organization and explain the benefits of that automation.

(25 Marks)

3. Most businesses should engage in e-commerce on the internet. Do you agree or disagree with this statement? Explain your position in detail?

(25 marks)

4. Business Intelligence plays a vital role in managing a business in a very competitive market. Explain how technology can support developing business intelligence to face the competition.

(25 marks)

5. Explain the critical factors, which influence the enterprise resource planning system implementation failures, and describe how you will minimize those factors to avoid such failures.

(25 marks)
