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Strategic Level

SL4.5: Integrative Case Study

Scenario-I

(15 Pages)

Section I: **SCENARIO I**

GOLD STAR DISTRIBUTORS AND TRANSPORTERS LTD (GST)

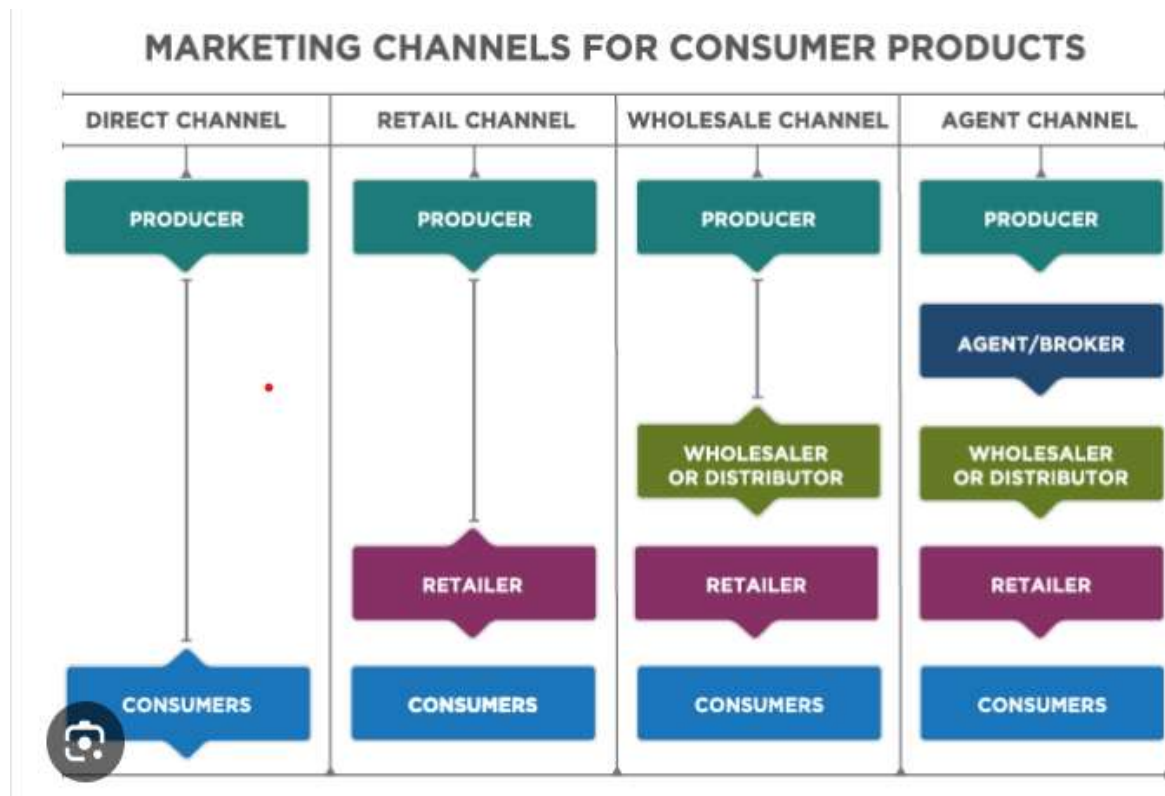
Introduction



Gold Star Distributors and Transposers Ltd. (popularly known as **GST** among its customer base) is an established company headquartered in Kandy. The company is now under the leadership of the third generation of the Bertram Mendis family, following the retirement of the chairman, George Mendis, who began his career in late 1960s been in his early twenties under the guidance of his father, Bertram, the founding chairman. GST initially commenced operations as a commercial transport business, and the company later expanded into distribution under the leadership of George. In a sense, this can be classified as a form of forward integration, since most of commercial transport involves distributing goods to distributors or retailers, thereby essentially managing the distribution process from producers or importers onward. Therefore, a business engaged in providing commercial transport services is a key stakeholder in most distribution channels.

Types of vehicles in commercial transportation for distribution in Sri Lanka.

Commercial vehicles commonly used for transporting a variety of goods include vans, lorries, and trucks/trailers, while some small-scale suppliers utilize buses for transporting their merchandise. Initially commencing with a limited fleet of lorries in the 1950s , GST by the dawn of the 21st century has made enormous strides with the post-1977 economic changes, commonly referred to as entering an era of open economic policies that resulted in launching many gigantic development projects. This phase can be mentioned as a juncture during which transport facilities in the country experienced a strategic transformation at an unprecedented scale.



A distribution channel may be defined as a chain of businesses or intermediaries through which a good or service passes until it reaches the final buyer or the end consumer. A business that provides transport services performs a vital role in the economy by ensuring a smooth system of distribution and the consistent availability of all kinds of goods to the public at large.

Essentially, logistics and distribution are interrelated concepts, with logistics serving as the broader framework that encompasses the management of resources, while distribution focuses on the efficient movement of goods through various customer networks such as wholesalers, retailers and end users. The ultimate societal objective is to always ensure the development of an effective and efficient customer service system. In a broader sense, logistics includes all forms of transportation, inland, maritime, and air, that contribute to the timely and reliable delivery of goods and services.

Historical development of Gold Star Transporters and Distributors

Gold Star - Transport business:

Having commenced with a small fleet of lorries at the inception in the 1950s in the 20th century, by the time George joined the company in the late 60s, it had established itself as a reputed transporter focusing on providing services to retailers in the central province and transporting dry ration items of the importers from Colombo port to the respective distributors. Initially, the company's distribution operations were confined to the Kandy district and later expanded to

include Matale and N' Eliya. With the advent of the 1977 economic revolution and the resulting developments, GST was well-positioned to quickly invest in expanding its fleet, diversifying into various types of heavy vehicles for transporting construction-related materials, including several concrete mixer trucks. George Mendis, the only son in the Mendis family, had three younger sisters. His father decided that the business would be inherited by George, while all other family assets were gifted to the daughters upon their marriages.

Within a relatively short succession period of about ten years having joined the company in the late 60s, marking an effective top management leadership transition, George Mendis took reins of the company as the family's only son in 1979. His father, the founding chairman of GST, passed away after a brief illness in the early eighties. This sudden demise of the founder left George and GST facing many complex challenges/ issues, occurring at a juncture when the transport industry was undergoing significant evolution and gaining momentum as a result of the country's economic revolution. This industry sector, operating as a critical support industry for several large-scale development projects, as well as experiencing general growth across the other industry sectors, was expanding at a rapid pace. Amid these developments, to maintain GST's position as a well-known, long-standing industry competitor, the company needed to make strategic investments in a new fleet of vehicles, including certain types of specialized heavy vehicles. Carefully evaluating challenges facing the company, George, together with his wife, an administrative officer in the state sector holding an accounting degree, decided to invite Malcom, one of his close family friends from school days, to join the business. Malcom, who had a mechanical engineering background specializing in the motor industry, resigned from his position as the engineer in charge of the workshop in a reputed commercial organization that marketed an established brand of vehicles, and joined GST as a director. During his tenure at his former company, Malcom had the privilege of participating in an international training program that broadened his knowledge in general management. This decision to invite Malcom at GST was such an astute, far-thinking decision for the future prosperity of the company. When one looks back at his contribution to the stability and value addition at GST, this case becomes a shining example how a family business should invite and treat a competent professional when inducted into the top management of a family company. George made it very clear to all in the company implicitly as well, that Malcom will share power and must be treated with equal respect and professional dignity. Together, they built a steady and profitable business that successfully capitalized on emerging opportunities in a growing industry.

George is an intelligent, conscientious, calm and collected, fair-minded individual always ready to recognize merit-based performance in their work environment. Under the influence of Malcom,

George was encouraged to follow a course on Senior Management Development at the University of Colombo, which ignited the leadership instincts he had demonstrated during his school days as captain of the college cricket team, leading them to victory in the island-wide school cricket championship. Thoroughly enjoying this novel experience by way of an exposure at the University, George was fascinated with several academic concepts that had immense applicability in a business setting. For example, one such area was Herzberg's two-factor theory, which George opted to base his thesis on and examine its workplace relevance. Organizational culture was yet another academic concept that George was intrigued as an area of increased relevance in business, and in particular, the pervasive impact it can have in his own business environment. The lectures during university time on innovation and creativity-related management courses also increased his academic curiosity about possible concepts that contribute to improved business performance. Although these terms initially sounded new to him, George realized their practical value and how effectively they could be applied in a managerial setting.

From a management perspective and as a learning experience for young professionals, this phase of organizational development at serves as an excellent case in point, highlighting several positive aspects in terms of values, philosophy, and organizational culture. In fact, several family-based companies in Sri Lanka appear to have made critical mistakes in these areas, leading to significant operational difficulties and an inability to sustain early success. As a result, many of them have been reduced to mere survival.

Gold Star entry into the Distribution business

Amidst all these developments, GST made a strategic entry into the distribution business and inaugurated a new division named Distribution Division (DD). Both directors, George and Malcom, realized the value of their strategic advantages in the form of intimate knowledge gained through their existing transport business model, being a closely associated partner at the front and back ends of the supply chain of a distribution business.

Along with this addition to the GST business portfolios, George also introduced several structural improvements within the company. He established four Strategic Business Units (SBUs) under the two main divisions, Trading Division (TD) and Distribution Division (DD) and implemented key initiatives in information management, the strengthening of the finance division, and the introduction of a monthly financial performance analysis system. Furthermore, he recognised the budgeting process to create an integrated budgeting system in addition to the traditional annual accounts and audited financial statements.

During an evening fellowship at the Chamber of Commerce with a guest lecture titled Succession Management in Family Companies, which George also participated in, certain points discussed made him realise the complications that could arise at GST with two sons having to share ownership of a single entity. One worrying factor was the different personality traits of the two sons; the eldest, Derek, was an introvert with a liking to handle more technically oriented responsibilities, while the younger son, Travis, was a more outgoing, fun-loving personality. George also became aware that he had spent less time with his family, having been consistently engaged in building a competitive business and considerable wealth. Acknowledging these irreversible facts, he strategically divided the company's operations into two divisions, each with two Strategic Business Units (SBUs) and separate management structures, enabling his two sons to independently manage or even decouple the divisions, if necessary, in the future.

He also had the intention of segregating the finances of the business, but that could not be immediately implemented and was postponed to a later date. A policy decision was made by him and Malcom that from the inception of the DD, this division will outsource its transport requirements. This arrangement was intended to prevent potential conflicts in the event that these two divisions needed to be separated in the future.

Management philosophy of GST under George and Malcom, as Managing Director and Director of Operations, respectively

One of the most critical success factors of GST under George, not only as the undisputed owner but also as the ultimate leader of GST, was the respect he displayed in the company for the knowledge and professionalism of Malcom fellow director. He always attempted to combine professional management and entrepreneurial capabilities of top management. He believed that each SBU should operate as an autonomous entity and that this structural arrangement would motivate all staff in such sections. At the same time, George and Malcom always emphasized the importance of accountability for the assigned responsibilities that included financial success and customer satisfaction as high-priority areas. The company also placed emphasis on internal communication and cooperation among the employees across different operating units. Specifically, the senior managerial staff were encouraged to meet their counterparts and others outside their normal areas of responsibility to broaden their understanding of the entire organization.

Both George and Malcom encouraged conflicts at any level, provided the objectivity of such conflicts was expected to be managed by the divisional heads without escalation into personality clashes.

Retirement of George Mendis and Malcom

The retirement of George Mendis took place in January 2019, when he encountered some symptoms of a heart condition, and coincidentally, it was a critical juncture of the journey of GST for more than one reason. He had to undergo complicated heart surgery and was strongly advised to lead a life devoid of stress at all costs. This created a complicated situation, as George was deeply involved with the Mendis family while also being at the center of his own family with his four children.

Some dynamics in a family business

First and foremost, it's important to understand typical family dynamics in the context of Sri Lankan family businesses when it comes to the division of family wealth. George Mendis is the only son of three sisters, all much younger, who were married in 2018. Yet, he had to make the final settlement, which he had undertaken to do by the time he was retiring, while up until that time, all of his sisters were paid attractive salaries from the company payroll. George has agreed with his sisters that his two sons will inherit GST after making all their settlements. Regarding George's two daughters, he had already decided that they would receive their fair share of his estate while leaving the business to his two sons. His intentions were to prevent potential conflicts arising from in-laws' involvement in managing the business, something he had observed in certain cases within the business community. With all these commitments that were settled through weakening the carefully built-up reserves of GST, even with a heavy heart, he had to leave GST with no luxury and in a lean state in terms of the capital structure. This, in practical terms, meant that the company had no luxury to allow any slack in running the business. Yet, he was consoled by the fact that GST had the capacity to generate good profits, ensuring that it would not be a problem for the two sons, and that the company had sufficient capacity and credibility to responsibly borrow funds to replace certain vehicles in the fleet.

Also, he managed to convince his sons that Malcom would guide them for nearly two years, as a consultant. As a methodical businessman with strong soft skills in managing a business, he agreed with Malcom on the consulting arrangement, especially since Malcom, too has expressed his intention to retire, having accumulated sufficient savings primarily during his tenure at GST.

The above-mentioned developments paved the way for the eldest of his two sons, Derik, to take over as the Managing Director and Travis as the CEO/director. A passionate individual in the field of vehicles from his school days, Derek joined his father's business in 2014 as a director who was already somewhat involved with the transport division (TD) and its operations. His younger brother, Travis, a more outgoing personality who pursued his studies in marketing in the United

Kingdom, returned some time ago and was appointed as the CEO/Director. He has been mostly associated at his convenience with the DD of GST for some time, leading to the appointment.

At this juncture, during the division of wealth among the family members, as briefly discussed earlier, no one could have foreseen what was about to unfold in the near future. Despite strong organizational discipline George demonstrated at GST, alongside Malcom, he acknowledged that both Derek and Travis were more affiliated with the respective divisions of the company and need to be trained and developed to be fully committed working directors of the company at a corporate level and master strategic integration. At present they are not fully involved with the business, but attending to management meetings regularly and maintaining cordial relationships with the senior management of their respective divisions of involvement. Being future heirs to the business, all Key Management Personnel (KMPs) were very accommodating towards them and made key decisions during management meetings with their consent and approval.

In 2019, GST purchased several new vehicles for the Transport division to replace the older fleet where necessary and initiated certain developments aimed at making operations easier for the new management, under the guidance of Malcom. During this period, Malcom also took steps to groom the younger directors by inculcating strong work ethics, enhancing their intellectual capacity in business management and encouraging them to participate in trade seminars organized by the Chamber of Commerce and other professional organizations related to their respective trade practices.

By the advent of the year 2020 came the horrors of COVID-19 that impacted almost the entire economic environment, and GST was no exception, which happened at the most inopportune time for the new directors. Helping to weather the storm during the height of the crisis time, Malcom eventually joined his family in the UK as planned at the beginning of the year 2022.

As a consequence of all that transpired at GST and the matters discussed in this document, the company has been left with a lean capital structure following the family's wealth distribution. This situation has been further shaped by the slower post-COVID recovery over the past couple of years as growth returns to normalcy.

The financial institutions also tend to take a rather proactive standpoint, being well aware of the drastic changes, despite GST being a long-standing generational customer and an industry player of repute. Under these challenging conditions, the two director brothers of GST took a timely

decision to recruit a Financial Controller (FC) who would integrate all divisions and lead the financial function of GST in a more coordinated way and with a professional flavor.

Some features of the current state of management observed by the new FC

Dilantha, an experienced, qualified accountant, assumed duties as the newly appointed FC of GST in May 2025. Amid numerous challenges requiring urgent attention, including the finalization of the audited financial statements for the past two financial years, he also prioritized some operational issues with the intention of improving operational efficiencies. In fact, during his preliminary meetings with the bankers of GST, one key issue that was pointed out was the need to improve operating efficiency and profitability. The bankers further explained that such improvements would enable the company to enhance its working capital facilities, a priority area that currently appears to be a constraint on its overall performance.

From the inception, Dilantha noted that the present directors of GST were more operationally focused without much strategic thinking. Both Derek and Travis have primarily focused and engaged in the respective divisions in which they were previously involved during the tenure of George Mendis. They continue to demonstrate a strong affiliation with the senior staff of the respective divisions, while showing comparatively less enthusiasm toward the development and problem-solving activities of the other division. The Board of Directors at present have approved a monthly performance-based reward scheme at the SBU level for the key operational staff members. This incentive will be determined based on the recommendations of the two divisional managers and supported by the reported profitability reflected in the monthly accounts for each division. All such payments must be personally approved jointly by both directors, up to a maximum of 5% of the Profit After Tax (PAT), upon the achievement of the monthly budgeted PAT of a particular SBU for a particular month, as computed by the finance division. The directors believe that this joint personal approval mechanism serves as a strong source of employee motivation. Having had limited day-to-day interaction with their father during his leadership at GST, the current directors appear to view George Mendes's management style as one rooted in strict adherence to hierarchical authority and appear to have little knowledge of the concept of the culture of a company

With this perspective, their own leadership approach grants divisional managers in both divisions a relatively high degree of formal and informal power. Nevertheless, both directors place significant emphasis on SBU-level budgets and consistently highlight the importance of achieving monthly budgeted PAT targets.

Especially with the current economic and political environment, Dilantha envisaged growth prospects in many sectors, such as construction and distribution, that GST was closely associated with. The enormous reputation as a brand rooted in traditional and respected business culture, together with Dilantha's experience, convinced him that the current conditions provide an ideal launching pad for business development. One positive aspect that he noticed was the strong commitment of Derek and Travis to manage GST as a combination of the two divisions under the corporate umbrella. Given that many synergies could arise from such operational and financial integration, the future appeared promising, provided GST is prepared to take some hard decisions.

He presented the divisional performance as per Appendix-1, accompanied by some notes in respect of these statements as per Appendix-2, to the directors in July 2025. Dilantha's systematic presentation of the financial performance highlights of GST from an SBU perspective was highly appreciated, and promptly acknowledged the new FC's professionalism and extensive experience.

Currently, cash flow has emerged as one of the key strategic issues for the company, in addition to its low profitability and the underutilization of capacity in the Commercial Transport SBU under TD. Dilantha, together with the head of the division, has estimated that the capacity utilisation is around 60% in total. On the other hand, DD is struggling to capitalise on prospects of growth and expansion due to constraints in relation to financial facilities as a result of banking restrictions that impact investing in working capital to enhance turnover.

The following are some of the areas currently under review, coordinated by Dilantha

a) Strategising to improve the Capacity Utilisation of the TD

When taking into consideration various external constraints that limit the utilisation of full capacity, it is reasonably estimated that the current situation in the TD's Hiring Commercial Transport SBU can be improved up to 85%. Accordingly, there seems to be a strong case for the retail SBU of the DD to make a decision to internally hire part of their transport needs from the TD's Commercial transport SBU. Of the reported Direct Costs of the TD's Commercial Transport section for the year ended 2025, 50 % of direct wages and maintenance expenses can be assumed to be fixed costs. In addition, the total administration expenses can also be assumed to be fixed.

b) Rationalizing Working Capital of the DD

Basically, the eventual broader objective here is to explore how to reduce the 'cash conversion cycle' where applicable:

- i. How to reduce the working capital investment by improving the receivables position in the relatively newer SBU, the retail section of the DD of GST.

The marketing manager of this section is against a reduction of credit terms that was discussed at one management meeting and instead is even recommending granting a small percentage as a cash discount for early collection because he feels that retailer loyalty is critical at this juncture from the point of view of competitive advantage. However, he also mentioned he does not have the know-how to calculate this amount and express it in terms of an Annual Effective Rate (AER) so that the figure becomes a comparative yardstick for any decision to be made.

- ii. Dilantha is also not very impressed with the contribution by the finance division of GST in inventory management and control practices. Currently, the store manager, responsible for placing orders based on purchase requisitions submitted by the marketing managers of the respective sections of the DD of GST, reports to the head of the finance division. However, Dilantha has observed that the finance division has not adopted techniques such as ABC analysis to advise on managing and rationalizing inventories. At present, all inventory items are treated with equal emphasis, regardless of their significance or value.

- iii. Current Leadership-related issues at GST

There is no doubt that both directors of the company were genuinely interested in seeing the development of the organization for the future. Nevertheless, in the eyes of Dilantha, as an independent professional, some key aspects of the deficiencies of GST became quite evident within a short period with the company. Especially from the point of view of leadership, in general, there is a lack of strategic leadership insights from the very top who seem to practice more transactional type of leadership decision-making and a lack of cohesiveness between the two principal divisions, which are considered key weaknesses. Dilantha also noted that at times, certain suboptimum decisions are being made, given that each director seems to have some favoritism when it comes to their individual domains of previous involvement, which was previously discussed in this document.

*****End of Scenario-I*****

Appendix 1- PROFITABILITY and RESOURCES STRUCTURE- Management Accounting Extracts

A) INCOME STATEMENTS -DIVISIONAL AND COMPANY

For the Year End 31st March	Transport Division (TD)						Distribution Division (DD)						GST	
	Hiring Commercial Transport		Hiring Construction Vehicles		Total		Wholesalers		Retailers		Total		TOTAL	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
	(in Rs 000's)						(in Rs 000's)						(in Rs 000's)	
Hiring Income Revenue	300,000.00	315,000.00	200,000.00	220,000.00	500,000.00	535,000.00	900,000.00	630,000.00	180,000.00	270,000.00	1,080,000.00	900,000.00	500,000.00	535,000.00
Total Income	300,000.00	315,000.00	200,000.00	220,000.00	500,000.00	535,000.00	900,000.00	630,000.00	180,000.00	270,000.00	1,080,000.00	900,000.00	1,580,000.00	1,435,000.00
Cost of Sales (DD)							765,000.00	535,500.00	108,000.00	162,000.00	873,000.00	697,500.00	873,000.00	697,500.00
Gross Profit for the DD							135,000.00	94,500.00	72,000.00	108,000.00	207,000.00	202,500.00	207,000.00	202,500.00
Running Costs-TD														
Direct Wages	120,000.00	126,000.00	50,000.00	44,000.00	170,000.00	170,000.00							170,000.00	170,000.00
Maintenance Exps	45,000.00	49,500.00	60,000.00	66,000.00	105,000.00	115,500.00							105,000.00	115,500.00
Warehousing expenses	45,000.00	31,500.00	30,000.00	22,000.00	75,000.00	53,500.00							75,000.00	53,500.00
Cost Of Sales (TD)	210,000.00	207,000.00	140,000.00	132,000.00	350,000.00	339,000.00							350,000.00	339,000.00
Gross Profit for the TD	90,000.00	108,000.00	60,000.00	88,000.00	150,000.00	196,000.00							150,000.00	196,000.00
Total GP of the company													357,000.00	398,500.00
Operating expenses of the DD														
Hiring for the Transport							13,500.00	9,450.00	19,800.00	29,700.00	33,300.00	39,150.00	33,300.00	39,150.00
Direct Wages							18,000.00	12,600.00	7,200.00	10,800.00	25,200.00	23,400.00	25,200.00	23,400.00
Maintenance Exps							13,500.00	9,450.00	5,400.00	8,100.00	18,900.00	17,550.00	18,890.00	17,550.00
Warehousing expenses							9,000.00	6,300.00	3,600.00	4,050.00	12,600.00	10,350.00	12,600.00	10,350.00
Administration Exps	24,000.00	24,000.00	20,000.00	22,000.00	44,000.00	46,000.00	22,500.00	15,750.00	9,000.00	13,500.00	31,500.00	29,250.00	75,500.00	75,250.00
Marketing & Sales Exps	9,000.00	15,750.00	10,000.00	8,800.00	19,000.00	24,550.00	7,650.00	5,355.00	7,200.00	10,800.00	14,850.00	16,155.00	33,850.00	40,705.00
Earnings Before deprisiation														
Interest and Tax														
EBDIT	57,000.00	68,250.00	30,000.00	57,200.00	87,000.00	125,450.00	50,850.00	35,595.00	19,800.00	31,050.00	70,650.00	66,645.00	157,650.00	192,095.00
Depreciation Exps.	26,333.33	22,294.44	18,583.33	20,390.28	44,916.67	42,684.72	833.33	694.44	1,000.00	833.33	1,833.33	1,527.78	46,750.00	44,212.50
EBIT	30,666.67	45,955.56	11,416.67	36,809.72	42,083.33	82,765.28	50,016.67	34,900.56	18,800.00	30,216.67	68,816.67	65,117.22	110,900.00	147,882.50
Finance Expenses	(250.00)	(107.50)	553.33	1,020.00	303.33	912.50	7,432.50	5,240.75	6,210.00	9,275.00	13,642.50	14,515.75	37,500.00	37,500.00
Earnings Before Tax	30,416.67	45,848.06	10,863.33	35,789.72	41,780.00	81,852.78	42,584.17	29,659.81	12,590.00	20,941.67	55,174.17	50,601.47	73,400.00	110,382.50
Taxation @ 30%													22,020.00	33,114.75
Profit After Taxation													51,380.00	77,267.75

B) - ASSETS AND LIABILITIES

As at 31st March	Transport Division (TD)						Distribution Division (DD)						GST	
	Hiring Commercial Transport		Hiring Construction Vehicles		Total		Wholesalers		Retailers		Total		TOTAL	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
NON-CURRENT ASSETS														
Property	60,000.00	57,000.00	15,000.00	14,250.00	75,000.00	71,250.00							75,000.00	71,250.00
Equipment	15,000.00	12,500.00	12,000.00	11,400.00	27,000.00	23,900.00	5,000.00	4,166.67	6,000.00	5,000.00	11,000.00	9,166.67	38,000.00	33,066.67
Vehicles /Hiring	100,000.00	83,333.33	75,000.00	90,000.00	175,000.00	173,333.33							175,000.00	173,333.33
Vehicles Office	25,000.00	20,833.33	20,000.00	16,666.67	45,000.00	37,500.00							45,000.00	37,500.00
	200,000.00	173,666.67	122,000.00	132,316.67	322,000.00	305,983.33	5,000.00	4,166.67	6,000.00	5,000.00	11,000.00	9,166.67	333,000.00	315,150.00
CURRENT ASSETS														
Inventories	6,000.00	6,300.00	8,000.00	8,800.00	14,000.00	15,100.00	31,875.00	22,312.50	9,000.00	13,500.00	40,875.00	35,812.50	54,875.00	50,912.50
Receivables	12,500.00	13,125.00	8,333.33	9,166.67	20,833.33	22,291.67	75,000.00	52,500.00	30,000.00	45,000.00	105,000.00	97,500.00	125,833.33	119,791.67
Other Debtors	500.00	600.00	600.00	700.00	1,100.00	1,300.00	300.00	400.00	600.00	700.00	900.00	1,100.00	2,000.00	2,400.00
	19,000.00	20,025.00	16,933.33	18,666.67	35,933.33	38,691.67	107,175.00	75,212.50	39,600.00	59,200.00	146,775.00	134,412.50	182,708.33	173,104.17
CURRENT LIABILITIES														
Trade Payables							63,750.00	44,625.00	4,500.00	6,750.00	68,250.00	51,375.00	68,250.00	51,375.00
Trade/ Other creditors	20,250.00	20,562.50	14,166.67	13,566.67	34,416.67	34,129.17	6,262.50	4,383.75	4,050.00	6,075.00	10,312.50	10,458.75	44,729.17	44,587.92
Bank Overdraft													100,000.00	100,000.00
	20,250.00	20,562.50	14,166.67	13,566.67	34,416.67	34,129.17	70,012.50	49,008.75	8,550.00	12,825.00	78,562.50	61,833.75	212,979.17	195,962.92
NET CURRENT ASSETS	(1,250.00)	(537.50)	2,766.67	5,100.00	1,516.67	4,562.50	37,162.50	26,203.75	31,050.00	46,375.00	68,212.50	72,578.75	(30,270.83)	(22,858.75)
FIXED ASSETS+														
NET WORKING CAPITAL	198,750.00	173,129.17	124,766.67	137,416.67	323,516.67	310,545.83	42,162.50	30,370.42	37,050.00	51,375.00	79,212.50	81,745.42	302,729.17	292,291.25
Long Term Loans													150,000.00	150,000.00
Share Capital & Reserves													152,729.17	142,291.25
TOTAL LIABILITIES													302,729.17	292,291.25

Appendix 2

GOLD STAR DISTRIBUTORS AND TRANSPORTERS LTD (GST)

Notes in connection with the preparation of 'Management Accounting extracts' in Appendix 1

- 1) GST consists of two major Divisions, namely the Transport Division (TD) and the Distribution Division (DD). Each division comprises two profit centers (SBUs), as shown in Appendix-1.
- 2) The structure of Appendix 1, relating to GST's draft financial performance, is as follows :

“The Objective is to present the comparative analysis of the profitability of the Transport Division (TD) and the Distribution Division (DD), which will reconcile with the draft financial accounts shown on the right-hand side under the caption GST, up to the stage of EBIT.”

 - Thereafter, at the divisional level, the finance expenses have been charged to the two divisions at a rate of 20% per annum on the net current asset deployed by each SBU as at the end of a financial year.
 - At the company level, finance expenses have been determined based on the actual financial cost incurred by the company. Financial institutions charge interest to GST at the rate of 15% p.a.
- 3) The divisional financial performances are based on the management accounts presented to the Directors of GST.
- 4) In the Divisional performance analysis presented in Appendix 1, finance expenses have been charged based on the net current assets deployed under each profit centre at the rate of 20% per annum. At the company level (i.e. GST), interest expenses have been recognised based on the actual financial expenses incurred, primarily relating to long-term liabilities and overdraft facilities, which are charged at the rate of 15%.per annum. Since the company has operated close to its overdraft limits throughout the year, computing finance expenses on the year-end balances is considered to provide a largely realistic representation.
- 5) Being a long-standing customer, GST is given time till next year to formulate a plan to commence repaying the capital amount of the long-term loan.

SL4.5-ICS November 2025 Examination- Marking Grid					
Evaluation		Weightage	Competency assessment (Marks)		
			High level of application	The middle level of application	Low level of application
Knowledge	Technical knowledge (On Management Accounting, Financial Accounting & Business Management).	30	24-30	8-23	1-7
Application	Application of practical solutions based on the knowledge and skills gained through synthesis, analysis, and calculative practices.	20	16-20	6-15	1-5
Integration	Examine a problem/issue in a holistic sense through drawing from diverse functional disciplines.	15	12-15	4-11	1-3
Prioritization	Demonstrate a rational, balanced outlook supported with evidence to unearth issues and rank them in the order of priority.	15	12-15	4-11	1-3
Decision	Present viable decisions and implementable recommendations.	10	8-10	4-7	1-3
Presentation	Ability to structure answers clearly and legibly in a most appropriate logical sequence with recommendations and relevant references clearly.	10	8-10	4-7	1-3
TOTAL		100			