



Institute of Certified Management Accountants of Sri Lanka

Incorporated by the Parliament Act No.23 of 2009

November 2025 Examination

Strategic Level

SL4.1: Sustainability & Strategic Management Accounting

INFORMATION:

1. Time allowed:
Reading– **15 minutes.**
Writing - **Three (3) hours**
2. The total marks allowed for this paper are 100.
3. This paper has 07 pages.

INSTRUCTIONS:

4. This paper consists of **three parts.**
Section I: Question No. 01 (**Compulsory**).
Section II: Question No. 02 – 05 (**Select any 03 questions**).
5. Answer only four (04) questions, including Question No. 01.
6. The answers should be in the English language.
7. Only non-programmable calculators are permitted to be used.

Section I: Compulsory Question

QUESTION NO 01

EcoBlend (Pvt) Ltd a Sri Lankan start up founded in 2018, specialises in producing biodegradable cups, plates, and straws made primarily from imported bamboo fiber. The company quickly earned recognition for its commitment to sustainability and captured the attention of eco-conscious customers in Sri Lanka. However, EcoBlend now faces multiple challenges as it prepares for regional expansion into India, Bangladesh, and the Maldives.

First, global supply chain disruptions, as detailed by Horton (2021), the convergence of scarcities, the 2020 global pandemic, and geopolitical conflicts have disrupted global supply chains, putting immense pressure on businesses across every industry. The geopolitical conflicts, like the Ukraine-Russia war, have increased freight costs, delayed shipments, and increased foreign exchange risks. Bamboo imports from China have become 25% more expensive, threatening EcoBlend's cost structure. Some board members are pushing for the exploration of local alternatives such as rice husk or coconut shells, but concerns remain about scalability and product quality.

Second, consumer preferences are shifting rapidly. In urban Colombo, consumers are willing to pay a premium for eco-friendly products. In contrast, in India and Bangladesh, customers are far more price sensitive, often opting for cheaper alternatives labelled as "green" but with questionable sustainability claims. This raises doubts about whether EcoBlend should maintain its premium positioning or pivot toward mass affordability.

Third, competition is intensifying. Low-cost competitors from India and China are flooding South Asian markets, some using aggressive pricing strategies and online distribution channels. In addition, new start-ups in Sri Lanka are experimenting with alternative biodegradable materials and digital direct-to-consumer business models.

EcoBlend's management is considering digital transformation to remain competitive. A proposal is on the table to adopt an ERP system integrated with predictive analytics to streamline supply chain management, forecast demand, and optimise inventory. However, concerns about high investment costs and employee training remain unresolved.

Finally, the company recognises the need for strategic management accounting (SMA) approaches to navigate these complexities. Its founders believe that SMA tools can help manage cost, promote data-driven decision-making, and ensure alignment with EcoBlend's sustainability mission.

YOU ARE REQUIRED TO:

1.1. Discuss how strategic management accounting differs from traditional management accounting and justify why SMA is particularly useful for EcoBlend (Pvt) Ltd. in its current business environment.

(08 Marks)

1.2. Evaluate how three SMA tools, namely Competitor Analysis, Value Chain Analysis and Balanced Scorecard measures would help EcoBlend in the prevailing context, identifying specific conditions that each of the tools could deal with.

(09 Marks)

1.3. Propose a strategic approach for the company to address challenges such as resource constraints, cultural resistance, and the difficulty of obtaining high-quality and accurate external data when implementing the SMA tools mentioned in (1.2) above.

(09 Marks)

1.4. Discuss how Strategic Management Accounting (SMA) can equip organisations such as EcoBlend to navigate complex dynamics effectively through cost analysis and supplier negotiations, supplier performance metrics, and demand forecasting.

(09 Marks)

1.5. Discuss the key benefits EcoBlend can achieve by integrating Big Data analytics into its business.

(05 Marks)

[Total 40 Marks]

Section II: Answer any three questions.

QUESTION NO 02

The following are two tech companies carrying out operations globally with different product specialisations. SmartTech Inc. is an innovative smartphone manufacturer Multinational company that designs, produces, and markets cutting-edge smartphones globally. Their products are known for advanced features and high-quality design. ElectroMart is a major electronics retail chain that sells a wide range of products, including SmartTech smartphones. The retailer focuses on reaching a broad customer base with competitive pricing, bundles, and promotional offers.

The smartphone product of SmartTech Inc. is in the Maturity stage of the Product Life Cycle and uses strategic pricing focusing on brand perspective to maximise revenue, while ElectroMart, in the Growth Stage of the Product Life Cycle, adapts its pricing focusing on retailer perspective to attract customers and manage inventory.

SmartTech Inc. is also engaged in intercompany transactions between subsidiaries in different countries. They implement transfer pricing following the Arm's Length Principle to comply with international regulations.

YOU ARE REQUIRED TO:

2.1. Discuss how SmartTech Inc. and ElectroMart could adjust their pricing strategies based on the specific stage of the product life cycle in which they currently operate.

(06 Marks)

2.2. Present the five (5) strategic areas in which transfer pricing plays an important role, highlighting their relevance to SmartTech Inc.

(10 Marks)

2.3. Interpret the arm's length principle in transfer pricing.

(04 Marks)

[Total 20 Marks]

QUESTION NO 03

GreenTech Manufacturing PLC is a Sri Lankan enterprise producing eco-friendly appliances such as energy-efficient refrigerators and solar-powered water heaters. The company claims commitment to the triple bottom line (people, planet, profit). The management believes that CSR projects, including solar street lighting in rural areas, have improved its public image. Management struggles to place financial value on environmental impacts and disclose them in reports. GreenTech has begun piloting an Environmental Management Accounting (EMA) system to track both physical data (materials, energy, waste) and monetary data (treatment costs, savings, offsets). Internally, the company faces 18% employee turnover and community concerns over increasing water usage. Environmental performance for the year 2024 is as follows.

- Water: 120,000 m³ withdrawn; 40% recycled.
- Emissions: 9,000 tonnes of CO₂, up 5% from last year.
- Waste: Recycling efficiency rose from 52% to 60%, saving about Rs. 25 million in disposal costs.

YOU ARE REQUIRED TO:

3.1. Analyse how GreenTech's current sustainability initiatives align with the UN Sustainable Development Goals (SDGs).

(05 Marks)

3.2. Compare and contrast the roles of Environmental Accounting (EA) and Environmental Management Accounting (EMA), quoting examples from GreenTech.

(06 Marks)

3.3. Evaluate the implications of GreenTech's approach to corporate sustainability, considering the company's initiatives while **recommending** improvements to strengthen long-term sustainability integration.

(09 Marks)

[Total 20 Marks]

QUESTION NO 04

Lanka Agro Foods (Pvt) Ltd is a Sri Lankan food processing company specialising in packaged snacks and fruit-based beverages for both local and export markets. In recent years, the company has faced increasing criticism over its environmental impact, particularly the excessive use of plastic packaging, high levels of wastewater discharge, and energy inefficiencies in production. In response, the Board of Directors has taken steps to integrate sustainability into management

accounting and performance measurement. Key initiatives include the introduction of a sustainability balanced scorecard, the preparation of a sustainability report aligned with the Global Reporting Initiative (GRI) Guidelines, and investments in advanced wastewater treatment facilities, along with a shift to biodegradable packaging. The latter two initiatives, however, involved significant upfront costs. Despite these efforts, Lanka Agro had limited access to affordable, eco-friendly technologies, a shortage of skilled sustainability accountants, and the constant need to balance profitability with product affordability in the local market. Nevertheless, the company also has notable opportunities ranging from government incentives for renewable energy adoption to growing consumer demand for eco-friendly products and potential access to green financing.

YOU ARE REQUIRED TO:

4.1. Evaluate the benefits and limitations of adopting the GRI Sustainability Reporting Framework for Lanka Agro Foods.

(06 Marks)

4.2. Assess the unique challenges Lanka Agro faces as a Sri Lankan company in embedding sustainability-related management accounting initiatives such as Environmental Management Accounting (EMA) and the Sustainability Balanced Scorecard.

(07 Marks)

4.3. Construct a sustainability balanced scorecard for Lanka Agro Foods, highlighting at least three key performance indicators (KPIs) for each dimension.

(07 Marks)

[Total 20 Marks]

QUESTION NO 05

Ocean Ceylon Garments Ltd is one of Sri Lanka's largest apparel exporters, supplying clothing to leading global brands in Europe and North America. With increasing pressure from international buyers, the company has adopted a sustainability strategy focusing on reducing its carbon footprint, improving labour welfare, and ensuring ethical sourcing of raw materials. The company publishes an annual sustainability report detailing its progress. However, international stakeholders demand greater credibility of reported data. Therefore, Ocean Ceylon has engaged an independent audit firm to provide sustainability assurance. In response to increasing stakeholder expectations, the company has developed a sustainability strategy aimed at strengthening its environmental, social, and governance (ESG) performance. The Board has also

recognised that sustainability is an integral component of effective risk management. Ocean Ceylon is now considering integrating sustainability risks into its enterprise risk management (ERM) framework to enhance organisational resilience and competitiveness.

YOU ARE REQUIRED TO:

5.1. Describe the role of sustainability assurance in enhancing the credibility of Ocean Ceylon Garments' sustainability reporting.

(05 Marks)

5.2. Assess the potential risks Ocean Ceylon Garments Ltd may face if sustainability considerations are not effectively integrated into its risk management framework.

(07 Marks)

5.3. Justify whether Ocean Ceylon's investment in sustainability assurance and risk management integration can be seen as a strategy for long-term competitive advantage.

(08 Marks)

(Total 20 Marks)

[Total 100 Marks]

-End of the Question Paper-