

# the **Abacus**

INTELLIGENCE & INSIGHT FROM CA SRI LANKA

MAY 2018 | WWW.CASRILANKA.COM

## **TAX REFORMS:** ACCOUNTING PROFESSIONALS' TURN AT THE WHEEL



CA

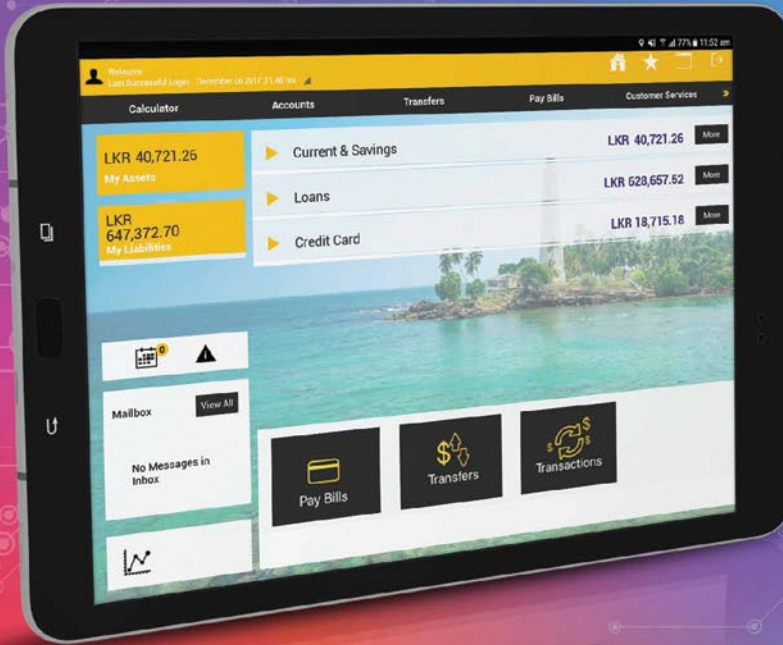


THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF SRI LANKA

# Be apped with the



# app



## SECURED BANKING ANYTIME, ANYWHERE

with

Fund transfers among own accounts, 3rd party and other bank accounts		Bill payments - Instant, scheduled and recurring
Check balances and transactions		View credit card transactions
Secured One-Time Password and Self-Unlock User ID		Setup standing orders
Cheque book requests and stop payments		Add 3rd party accounts and new billers
Statement download		Find the nearest Branch/ATM/CDM



# app

And many more features.  
Download the B app experience now!

STEP 01

Download the 'BOC B app' from



STEP 02

Visit the nearest BOC branch and submit your B app application form and experience high speed banking

\*Existing Internet Banking users can use their existing User ID along with the Password received via SMS



\*Conditions Apply



Head Office "BOC Square", No. 01  
Bank of Ceylon Mawatha, Colombo 01.

Call Centre  
(+94) 011 220 4444

BANK OF CEYLON  
**BOC**  
Bankers to the Nation



the **Abacus**

# CONTENTS

MAY 2018

## Features

### 15 | Ethics and Disciplinary Committees' Reviews

---

### 16 | Sri Lanka's international trade ties

Situated strategically, athwart the principle sea trade route in the Indian Ocean, Sri Lanka could not but be a part of international commerce. Over millennia, this helped shape the country's economy, culture and society. Although, historically, agriculture remained the mainstay of the economy, the sheer volume of trade had its effect

---

### 20 | Effective audit regulation builds trust, attracts investment: Brian Hunt

The Chairman of global audit oversight body IFIAR outlines the growing demands on regulators

---

### 28 | Changes to SLFRSs

Amendments announced to Sri Lanka Accounting Standards for 2018

---

### 31 | Sunny-side up

---

### 32 | Good reason to be bullish on listed equities - Frontier Research

In recent years, listed equities were eclipsed by fixed income assets; but soon, they'll ride the bull



# CONTENTS

MAY 2018

---

**40** | The ill-fated road towards a toxin-free nation

**43** | Rowena Barrett: Culture shapes innovation and entrepreneurship

**46** | Understanding the accountant's role in corporate governance

**50** | CA Sri Lanka President Jagath Perera's Vision

**54** | 4 key steps for CFOs to instill intergrated thinking and reporting

**COVER STORY**

**56** | Tax reforms: Accounting professionals' turn at the wheel

**60** | Watches of the month

**61** | Caves of Mulu





## INTELLIGENCE &amp; INSIGHT FROM CA SRI LANKA

## An Exciting Opportunity

**S**ri Lanka's accounting profession faces its toughest challenge yet. The new Inland Revenue Act, effective from 1 April 2018, has overhauled a decades-old income tax code and with it an accumulated wealth of expertise on how to plan taxes, and case law on various taxation-related disputes. Both taxpayer and tax officer are uncertain about the outcome of the new tax code. Some of the rules are vague, or appear to further burden taxpayers, or don't seem fair. Giving the Inland Revenue powers to interpret whether transactions are tax avoidance schemes and the requirement to pay taxes before appealing are particularly worrisome.

In the midst of all this, the country's accounting profession is presented with a golden opportunity to make a lasting contribution towards equitable economic growth. The accounting profession can be agents of change as a group and as individuals working in finance divisions of companies or as consultants at accounting firms.

Many agree that the good things about the new income tax code far outweigh the challenging areas. It's far simpler to understand, promises to make tax filing much easier and plugs many loopholes. The new code also takes into account that investors value clarity and stability in tax laws more than exemptions.

Ultimately, it's all down to implementation: It can turn into a nightmare with the Inland Revenue and taxpayers disputing every assessment, or it could be a smooth transition where businesses can focus on what they do best and the taxman gets his due.

The accounting profession has an exciting opportunity to play a decisive role.

It must deal with grey areas with professional tact, but more importantly, the profession can lead the attitude change required for a smooth transition: Paying income taxes is a duty, not a burden.

Civic mindedness improves when people contribute a fair share towards maintaining public services like education, healthcare and security. They then take real interest in how the country manages its affairs. When a government depends on debt financing, it only burdens future generations, and citizens of today dodge taxes and fail to hold officials to higher standards of accountability - the country has too few income taxpayers to exert that kind of pressure.

The new income tax code presents an opportunity to bridge society's trust deficit, which can improve Sri Lanka's prospects by leaps for all citizens. Anything is possible then.



Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is one of the largest professional organisations in Sri Lanka in which 5,400 chartered accountants have obtained membership. The Institute provides insight and leadership to the accountancy and finance profession in Sri Lanka as well as globally. Our well-qualified members are trained to provide financial knowledge and guidance based on the highest professional, technical and ethical standards, thereby assisting communities and organisations gain long-term sustainable economic growth.

### CONTRIBUTORS

Avanti Samarasekera  
Devan Daniel  
Devin Jayasundera  
Shamindra Kulamannage

### DESIGN & LAYOUT

Indika Sriyan Gammudali  
Leyanvi Mirando  
Diloshan Leon

**CA JOURNAL'S** publications consultant is Capital Media (Pvt) Ltd., 22, Flower Terrace, Colombo 7. Phone 0112577387

### CA SRI LANKA

30A, Malalasekera Mawatha,  
Colombo 7, Sri Lanka  
T : 0094-11-2352000  
F : 0094-11-2352060  
E : secretariat@casrilanka.com

© 2018 CA SRI LANKA. All rights reserved. No part of this publication may be reproduced or distributed in any form without the prior written permission of the publisher. The views and opinions expressed by contributors and persons featured in Abacus are not those of CA Sri Lanka or the CA Sri Lanka Council

## PRESIDENT'S MESSAGE

# Be the Change



**T**oday, we are experiencing the fourth industrial revolution, which has brought about monumental changes to our profession and the way in which we operate. In the midst of disruptive technology, digitization, cloud computing and artificial intelligence, the role of the accountant has changed drastically that even certain accounting functions which we believed were inherently human processes, are today being automated. This has renewed the need for us to adapt to new trends, technologies and methodologies, if we are to remain relevant as a group of specialised professionals.

Accountants play a major role in the development of a country and its economy, and this role is interconnected to driving economic development and sustainability of a country. This is why we have a far greater responsibility lying on our shoulders. We have to be in the forefront to mitigate frauds which has spiraled in recent years amidst heightened competition across the business world.

We need to ensure we continuously evolve in our professional roles, and have the ability to face future challenges. We need to understand that we must keep up with time and adapt with change, if we are to be in demand locally and globally.

At an Institute level, we are increasingly focusing on developing our CAs to be an important catalyst in Sri Lanka's future journey. We are taking necessary steps to ensure that chartered accountants remain not only relevant but also progressive and have the necessary competence and acumen to remain at the top of the game. We are also introducing important elements of creativity, innovativeness as well as the critical thinking components to the study programme of our students, while also taking steps to

inculcate them with the necessary entrepreneurship skills, and business acumen to help them have the right set of skills to steer businesses of tomorrow successfully, while also being future ready.

The world no doubt is getting very advanced, and as professionals, we have to keep up with the changes. We no longer have the option of ignoring changes, but instead we are compelled to embrace these changes and trends if we are to remain relevant. The technological revolution is here and it is not going to stop for anyone, and everyone who refuse to embrace the change will be left behind.

The journey ahead is not going to be a cake walk, but we also need to understand that disruption has become a way of life, and we will continue to see new innovations in the years to come, which will redefine conventionality and our job role. Therefore, it is our collective responsibility to remain relevant, embrace change, think out of the box, and be innovative, if we are to remain an integral part of the business world while continuing to contribute to the success of our country, society and profession.

**Jagath Perera**  
President  
CA Sri Lanka



# PERISCOPE

## EU works on tax overhaul targeting tech firms

The European Union plans to increase the taxes paid by tech giants such as Google, Amazon and Facebook. These companies have irked the larger European countries by re-routing their EU profits to states like Luxembourg, where taxes are low.

It has been proposed to tax corporate digital profits in the states where they are made rather than where the firms are headquartered, which is the case at present. The digital industry welcomed the focus on taxing profit rather than revenue. However, since the changes could involve a protracted negotiation process, the European Commission has sought



to tax corporate revenue as a temporary measure.

A temporary tax could range from 1 - 5% of gross digital revenues. It would be imposed on companies with annual global revenues exceeding €750 million and EU digital revenues of €10 million or more.

## US SEC moves to rein in cryptocurrency exchanges



Bitcoin, Ethereum and other platforms used for exchanging cryptocurrencies will have to register with the SEC. The agency stated "If a platform offers trading of digital assets that are securities and operates as an 'exchange,' as defined by the federal securities laws, then the platform must register with the SEC as a national securities exchange or be exempt from registration."

The SEC warned that many platforms where cryptocurrencies are exchanged are unregistered and potentially illegal. However, they can appear to be legitimate. According to the agency, "Many platforms refer to themselves as 'exchanges,' which can give the misimpression to investors that they are regulated or meet the regulatory standards of a national securities exchange."

Early this year, SEC Chairman Jay Clayton expressed concern over the potential for price manipulation on cryptocurrency exchanges. He said that many digital tokens he had seen were actually securities and should be regulated as such.

## Survey shows women want greater transparency at workplace



A global survey of professional women showed that 45% believe an employee's diversity status (gender, ethnicity, age, sexual preference) can be an obstacle to career progression in their organisation. Just over half (51%) agreed that employers are doing enough to advance gender diversity.

According to Pricewaterhouse Coopers (PwC), the survey involved 3,600 professional women to ascertain their career development experiences and aspirations. It reveals that more women actively seek promotions and pay raises. In fact, of the 41% of women promoted in the past two years, 63% negotiated for a promotion.

PwC global chairman Bob Moritz emphasized the importance of combining transparency with actions to curb gender stereotypes and subconscious biases.

# PERISCOPE

## US government backs internet taxes in court battle



States should be allowed to collect sales tax from online retailers, the US government has urged. Backing traditional retailers, it asked the Supreme Court to uphold a South Dakota law that would compel big internet retailers to pay sales taxes even if they don't have a brick-and-mortar presence. This might involve reversing a ruling made over 25 years ago that prevented states from imposing taxes on merchants unless they had a physical presence.

The legal battle pits South Dakota against online retailers Wayfair Inc., Overstock.com Inc., and Newegg Inc. The companies insist that online tax rules should be set by Congress. Though the online retailing giant Amazon is not directly involved in the case, the outcome could impact on its business.

In a court brief, Solicitor General Noel Francisco said, "In light of internet retailers' pervasive and continuous virtual presence in the states where their websites are accessible, the states have ample authority to require those retailers to collect sales taxes owed by their customers."

According to the government, the existing situation imposes a competitive disadvantage on in-state retailers and encourages the state's citizens to take their business elsewhere.

A report from the Government Accountability Office reveals that state and local governments could have collected up to \$13 billion more last year had they been permitted to impose sales tax on online merchants and other remote sellers.

## 'No deal' Brexit scenario will be costly

Cost of 'no deal' Brexit

**£31 billion** / **£27 billion**  
EU companies / UK firms

UK and European companies face losses amounting to £58 billion annually if Brexit talks collapse without a new trade deal in place. This is the conclusion of a study by consultancy firm Oliver Wyman and law firm Clifford Chance.

The report implies that both sides would be affected by new tariffs in the absence of a trade agreement. Such

a situation would cost EU companies around £31 billion and UK firms around £27 billion. "These increased costs and uncertainty threaten to reduce profitability and pose existential threats to some businesses," the report stated. The worst hit industries would be Britain's financial sector and EU's automotive sector.

The UK is due to leave the EU in March next year.

## France to invest heavily to become AI hub

**\$1.85**  
billion

to be invested in AI by 2022

France plans to pump 1.5 billion euros (\$1.85 billion) into artificial intelligence by 2022 in an effort to compete with America and China.

The move is spearheaded by French President Emmanuel Macron, who hopes to turn France into a "start up nation." It follows a report by the famous French mathematician and Fields Medal winner Cedric Villani that laid out plans to stanch the brain drain to the US.

The report is dubbed "AI for Humanity."

"[Artificial intelligence] is a technological, economical, social and obviously ethical revolution, Macron said. "This revolution won't happen in 50 or 60 years, it's happening right now."

DeepMind, IBM and Microsoft recently announced plans to open offices in France to focus on AI research. The country is also experiencing a groundswell of AI start-ups.



## Pay More attention to customer satisfaction – IBE Report



A survey report from the Institute of Business Ethics (IBE) suggests that boards appear to pay relatively less attention to certain issues that might provide important insights on culture. These include customer complaints, supply chain data (including payment terms and grievances), social media records and exit interviews.

It was noted that two fifths of boards don't receive information on customer satisfaction, while only a fifth get data on the supply chain relationship. IBE's Associate Director Peter Montagnon said, "It is important to join the dots. A company whose staff, suppliers and customers are all broadly happy is likely to have a robust culture. But even if only one of these groups is unhappy, the risk of ethical problems is high."

## EU targets US goods in case of trade war

From T-shirts and cosmetics to bourbon whiskey, the EU has drawn up a target list of 100 US goods that would be taxed if the US levies import tariffs on steel and aluminium. It is estimated that these goods are worth €2.8 billion.

The list includes motorcycles, jeans, corn, orange juice, consumer goods and industrial products.

American companies have strongly criticized trade barriers. Levi Strauss recently stated, "Unilateral tariff impositions risk retaliation and destabilizing the global economy, in which case American brands, workers and consumers will ultimately suffer."

## Increasing audit regulation costs worries ICAEW

The Institute of Chartered Accountants in England & Wales (ICAEW) has expressed concern over rising audit regulation costs. It stated that this had led to some audit firms questioning the value of staying in the public interest entity (PIE) market.

According to the institute, the operation and audit quality review levies of the Financial Reporting Council (FRC) impose a cost on UK business and impacts negatively on competition in the audit market.

Chief Operating Officer of ICAEW Vernon Soare expressed dismay over the FRC's attitude of not prioritizing the cost of oversight and regulation. He said, "There is a point at which high regulatory costs will impair market fundamentals and negatively impair outcomes, particularly if regulatory costs cause participants to drop out of the PIE market."

## Saudi Arabia and SoftBank to build world's largest solar project

# 100,000

Jobs created

Saudi Arabia and SoftBank Group are planning to build a \$200 billion solar power development that could supply 200 gigawatts in Saudi Arabia by 2030. It underscores the kingdom's increasing emphasis on clean energy.

To be located in the Saudi desert, the project would be about 100 times larger than the next biggest proposed development and more than double what the global photovoltaic industry supplied in 2017, it has been revealed. "It's by far the biggest solar project ever," said CEO of SoftBank Masayoshi Son. He believed that it would cut electricity costs by \$40 billion, while creating as many as 100,000 jobs.

## Amazon plans to offer bank accounts in partnership with financial institutions

# 45%

of respondents were open to using Amazon as their primary banking account

E-commerce giant Amazon is negotiating with financial institutions including J.P. Morgan Chase to help launch accounts targeting the younger generation. An Amazon-branded account is a possibility though the company, which will not become a bank.

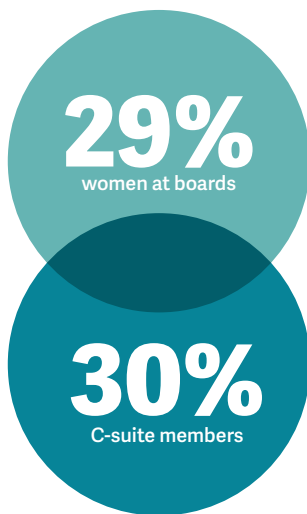
A recent survey revealed that around 45% of respondents were open to using Amazon as their primary banking account. It has been reported that the tech giant is considering creating a product similar to a checking account for customers. If the venture comes to fruition, it will expand Amazon's impressive portfolio, which currently includes grocery stores, shipping and digital assistant Alexa.

A top strategist at GBH Insights said that the underlying goal is to increase Amazon's Prime membership by cross-selling to existing J.P. Morgan customers, which could lead to more initiatives. A notable benefit for Amazon would be limiting the fees paid for payment processing.

# PERISCOPE

## Accounting firms listed among top companies for female executives

Proportion of women at the higher echelons



A number of accounting firms in the US have been included in this year's list of 'Top Companies for Executive Women.' Deloitte and EY reached the upper rung, making it into the "Top 10" organisations for female leadership. The ranking was undertaken by the National Association for Female Executives (NAFE).

NAFE President Betty Spence stated that their scrutiny of women's progress at US companies provides a dependable barometer for measuring the movement of women into top leadership positions in the private sector. She said that with women at only 29% of boards and 30% of C-suite members, the association continues to work with their top companies to speed women's headway.

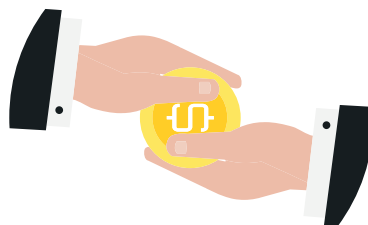
## Sri Lanka investment forum lures investors

Asian-based investors have responded favourably to a Sri Lanka investment forum in Singapore. According to the Colombo Stock Exchange (CSE), pitches were made by 17 listed companies and 12 stock broking entities.

Speaking at the event, Prime Minister Ranil Wickremesinghe said the country was undertaking economic reforms. He emphasized that a recent free trade deal with Singapore will benefit investors in the city-state. He said the agreement was part of a broader strategy of looking east to renew trade relationships.

"This FTA is our first agreement with a South East Asian country - and we envisage this as a first step towards closer integration with the Regional Comprehensive Economic Partnership agreement," Wickremesinghe stated.

Singapore's Minister of Trade and



Industry, S. Iswaran believed the deal will strengthen bilateral ties. He said the positive news surrounding the agreement has led to an uptick in interest from Singaporean companies to partner Sri Lankan companies to invest in opportunities in the island and to use Sri Lanka as a hub to expand into the broader South Asian region.

## Sri Lankan business leaders plan large capital investments

# 75%

of respondents said their firms were likely to make a significant capital investment in 2018

Corporate Leaders in Sri Lanka including chief executives are optimistic about the business climate in the next several months, according to a recent survey. It also found that most plan large capital investments.

In its first CEO survey on Sri Lanka, the Oxford Business Group said, "Following the severe floods and drought that weighed on growth in 2017, C-suite executives appear to be generally optimistic that clearer skies are ahead."

Over half of the respondents predicted an economic growth of 4-5% this year. This is broadly in line with the Central Bank's forecast of 5-5.5% and the Asian Development Bank's prediction of 5%. Significantly, nearly 75% of respondents said their firms were likely to make a significant capital investment in 2018.

## Central Bank doesn't expect market interest rate hike

# \$7.9 billion

Sri Lanka's estimated official reserves

The Central Bank has stated that a market interest rate increase is not expected in the near term. It pushed back against speculation fuelled by media reports claiming that it expects a rise in domestic interest rates.

"The recent movements in headline inflation, core inflation, inflation expectations, broad money growth, credit expansion, expansion in economic activity as well as the international reserve position do not justify the view that a rational market would also expect an increase in interest rates," the Central Bank said.

It also stated that official reserves are currently estimated at around \$7.9 billion compared to \$6 billion at end-2016. The improvement in reserves is recorded on both quantitative and qualitative aspects.



## Research firm cites Sri Lanka in cautionary tale about China



Sri Lanka provides a cautionary tale about over-reliance on China-backed infrastructure development, according to the Oxford Business Group. The research firm's Asia Regional Editor Patrick Cooke noted how the country formally handed over 70% control of Hambantota Port to Chinese interests on a 99-year lease because it couldn't service the loans acquired from Chinese state-controlled entities to build the \$1.3 billion maritime complex.

Cooke said Chinese acquisition of equity in strategic assets from countries unable to honour their debt commitments is making other emerging nations in the Belt and Road Initiative (BRI) cross-hairs nervous.

He pointed out that skeptics have questioned China's motives. There are concerns that the BRI will in reality provide the Asian giant with excessive leverage over the emerging economies of Asia-Pacific and foster unhealthy dependence on Chinese investment, loans, contractors and technology.

### Former Uber CEO forms new investment fund

**10 – 100**

Startup magic growth stage

Former Uber CEO Travis Kalanick is starting a new investment fund called 10100. It will focus on financing initiatives that create jobs. Intended areas of investment include real estate, e-commerce and emerging innovations in India and China. The nonprofit efforts will initially concentrate on education and the future of cities.

Media reports indicate that Kalanick is likely to invest in startups with between 10 and 100 employees (the magic growth stage). He referred to the new venture as "home to my passions, investments, ideas and big bets."

## Push ahead with Vision 2025 – IMF Staff Mission

**4.4%**

Projected real GDP growth for 2018

The IMF staff mission that visited Sri Lanka recently urged the authorities to push ahead with their Vision 2025 strategy. The strategy would support the island's rapid and inclusive growth through ambitious structural, macro-economic and social reforms.

The mission said that the

new Inland Revenue Act and the Central Bank's Roadmap towards inflation targeting represent landmark reforms and their successful implementation is critical going forward.

Some key priorities were highlighted. These include advancing fiscal consolidation through revenue mobilization, a more robust fiscal rule, and stronger SOE governance; modernizing monetary, financial and exchange rate policy frameworks; and accelerating growth-enhancing structural reforms.

According to the mission, real GDP growth is projected to rise to 4.4% in 2018. Inflation is projected to revert to around 5% by the end of the year, as food prices stabilize.

## Regulate foreign auditors in India, says Supreme Court



India's Supreme Court feels that foreign auditors in the country need to be reined in. It has called on the central government to regulate the firms, warning that letting them continue unchecked could hurt the economy.

Some months ago, the Indian weekly *Outlook* revealed how the chartered accountancy profession

was tarnished with accusations of money laundering.

The Supreme Court said the government could form a committee of experts to explore regulating multinational accounting firms operating in India. It felt that a void in this area could have an adverse impact on the existing chartered accountancy profession as a whole.

# PERISCOPE

## OECD says Switzerland must do more to fight bribery in business



The Organisation for Economic Cooperation and Development (OECD) has urged Switzerland to do more to prosecute foreign bribery and protect whistleblowers. It called for “effective, proportionate and dissuasive” sanctions in cases of foreign bribery, and suggested the urgent adoption of “an appropriate legal framework to protect private sector whistleblowers.”

Switzerland has convicted just six individuals and five companies since 2012. However, there had been 137 active investigations into money laundering and foreign bribery in 2016, up from 24 in 2011.

The OECD noted that Switzerland is particularly susceptible to foreign corruption for various reasons. These include the export-driven nature of the economy with a focus on financial transactions and pharmaceutical products. The country has long been associated with shady financial dealings.

## FRC calls for inquiry to break up top accountancy firms

The Financial Reporting Council (FRC) has suggested that a break-up of the UK’s top accountancy firms could end conflicts of interest. Chief Executive Officer of the FRC Steven Haddrill called for an inquiry into whether the top firms should have to spin off their auditing arms into separate businesses, The Guardian reported.

The measure could strike at the leading accountancy firms’ dominance in auditing the accounts of big companies, boosting competition and eradicating conflicts of interest.

The overwhelming majority of companies listed on the FTSE 350 were audited by a few prominent accountancy firms.

## China hits 128 US products with tariffs

Impact of China’s tariffs

**\$3 billion**  
worth of US imports

In retaliation for US duties on aluminium and steel imports, China has raised tariffs by up to 25% on 128 US goods. The tariffs will affect about \$3 billion worth of US imports. The affected products include wine, frozen pork, scrap aluminium, steel pipes, and certain fruits and nuts.

The Chinese finance ministry said, “China’s suspension of its

tariff concessions is a legitimate action adopted under WTO rules to safeguard China’s interests.” It called for dialogue and negotiation to resolve differences between the two countries.

Following the announcement, an editorial in the popular Chinese tabloid Global Times stated, “Even though China and the US have not publicly said they are in a trade war, the sparks of such a war have already started to fly.”

Increasing trade tensions between the world’s two largest economies have led to fears of a trade war that will affect the global economy. US president Donald Trump has announced plans to impose tariffs on about \$50 billion worth of Chinese products in retaliation for the alleged theft of intellectual property from American companies.

## Melrose acquires British engineering giant GKN

Price for the purchase of GKN by Melrose



**£8 billion**

Controversial investment firm Melrose Industries succeeded in its bid to take over British engineering firm GKN, which it valued at £8 billion.

Though the bid won the backing of 52% of GKN shareholders, it was not welcomed by the firm’s staff and unions who expressed concern over long-term projects that could be affected. It was feared that Melrose may only look at short-term projects and the possibility of asset stripping.

Chairman of Melrose Christopher Miller said, “We are delighted and grateful to have received support from GKN shareholders for our plan to create a UK industrial power-

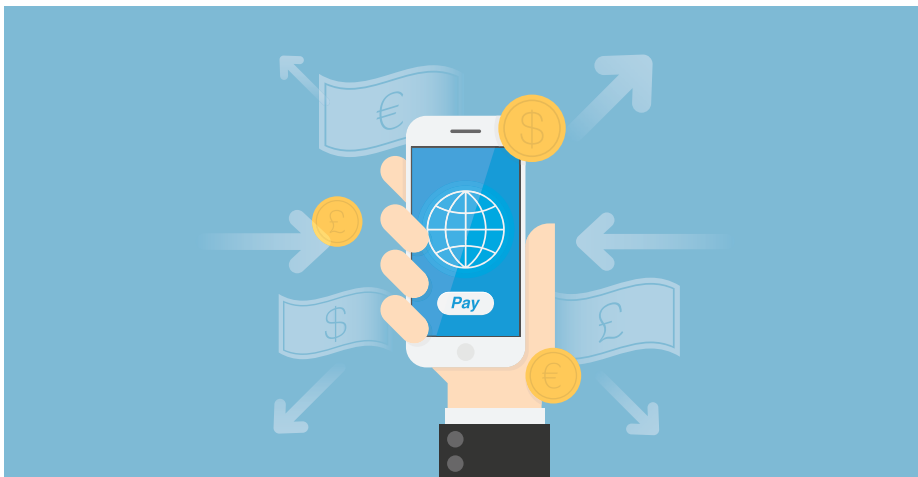
house with a market capitalisation of over £10 billion and a tremendous future.”

BBC reported that the Labour Party called Melrose a “short-termist asset-stripper” and condemned the deal. The investment firm specializes in turning around troubled manufacturing businesses and selling them.

According to BBC, GKN has had a hand in making everything from Minis to Spitfires. It noted that GKN’s businesses cover aerospace and automotive engineering, with its Driveline division making systems for around half the world’s passenger cars and light trucks.



## Link Sri Lanka's mobile money transfer systems, suggests study



A study on how finance and technology can improve the development impact of labour migration has called for greater coordination of the country's two mobile phone money transfer systems. It stated that this could facilitate the expansion of distribution networks in rural areas.

According to the study by the Asian Development Bank Institute, the Organisation for Economic Co-operation and Development, and the International Labour Organisation, regulators are looking to digitalised

economic activity as a driver of growth.

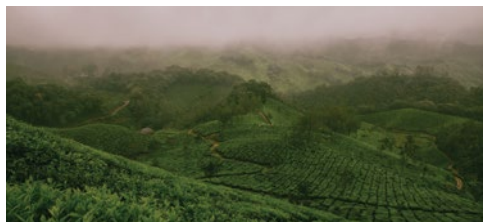
Covering Bangladesh, Nepal and Sri Lanka, the study noted that, despite bank account penetration differences between these countries, regulations across all three markets are converging on a more conducive environment for money market agents. Among the measures suggested were developing more instruments and infrastructure for e-payments and agent banking, and creating a transparent legal framework and regulations for digital finance.

## New agency to regulate privatised plantation firms in Sri Lanka

The government plans to establish a new agency to regulate privatised plantation firms to "protect the interests of the state."

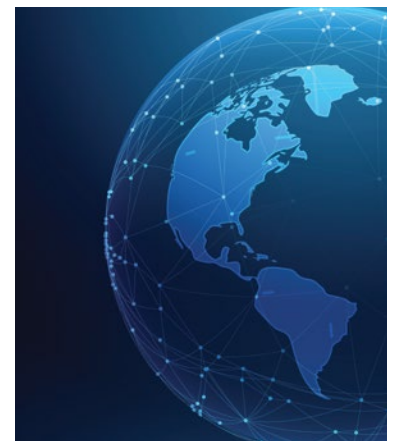
Twenty three state-run plantation companies that had been expropriated were privatised in the 1990s. At the time of privatisation, they were making losses, with taxpayers' money used to pay salaries.

The plantations companies have a 'golden share', which prevented the new owners from fully diversifying land use and achieving optimum returns. Approvals on requests to diversify activities have been pending for years, industry sources said.



At present, the state oversees the firms through the plantations management monitoring unit of the plantations ministry. However, Minister of Plantation Industries Navin Dissanayake proposed the establishment of a separate agency to regulate the privatised plantations through their remaining lease periods. The cabinet has approved the preparation of a draft law to regulate the firms.

## SpaceX gains approval for 4,425-satellite broadband network



The Federal Communications Commission (FCC) has granted approval for SpaceX to launch a network of over 4,000 satellites blanketing the world with broadband.

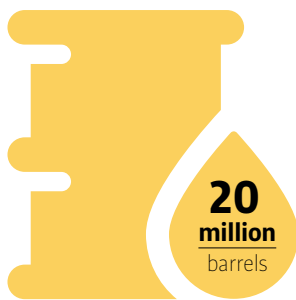
The FCC said it was the first approval of "a US-licensed satellite constellation to provide broadband services using a new generation of low-Earth orbit satellite technologies."

The proposed service, which may be called Starlink, is likely to benefit people in remote areas and developing nations. However, several satellite internet providers, including OneWeb and Spire, have opposed it over concerns that it will crowd both spectrum and orbit.

SpaceX stated that these satellites will enable the "provision of high-speed, high-bandwidth, low-latency broadband services that are truly competitive with terrestrial alternatives." According to a report in the *Wall Street Journal*, SpaceX expects to sign up over 40 million subscribers to its broadband service by 2025.

# PERISCOPE

## Global oil and gas needs to invest trillions, says Aramco CEO



New capacity required daily in next 5 years

Saudi Aramco CEO Amin Nasser has said that over the next 25 years, the global oil and gas sector needs to invest over \$20 trillion. He believes this is necessary to meet increas-

ing demand and offset the natural decline in developed fields.

Addressing a conference in Houston, USA, Nasser noted that since the oil price slump of 2014-2016, the industry has lost investments worth one trillion dollars. He stressed that future investments “will only come if investors are convinced that oil will be allowed to compete on a level playing field, that oil is worth so much more, and that oil is here for the foreseeable future.”

It has been estimated that 20 million barrels of new capacity will be required daily in the next five years.

## German carmakers lead investment into electric cars



Under pressure to embrace low-emissions technology, German carmakers have topped the world in electric vehicle investments. They have left US and Japanese manufacturers way behind.

According to a study by consultancy EY, German carmakers Volkswagen, Daimler and BMW announced investments on electric cars amounting to €4.7 billion

globally during the past two years. US manufacturers trailed far behind with €335 million, while Japanese companies spent just €19 million.

EY car expert Peter Fuss said the importance of electric-powered cars will grow considerably in the medium term.

He argued that this will compel automakers to ratchet up spending on the technology.

## Startup plans to bring disclosure to cryptocurrency industry



Messari, a startup in New York, intends to increase financial disclosures in the foggy crypto market. It has attracted early-stage seed funding from many investors, including Anthemis Group and Blockchain Capital.

Messari CEO Ryan Selkis' aim is to create a financial disclosure database for crypto assets. According to Forbes, he wants to create a free, open-source repository for cryptocurrency data; this would make it easier for investors to differentiate serious crypto projects from scams.

Selkis, who has been called a “clear-eyed realist,” regards Messari as vital to raise crypto to a legitimate asset class. At present, the crypto market lacks transparency and standardization.

## Brazil moves to harmonize legislation with OECD norms



Brazilian authorities and officials from the Organisation for Economic Co-operation and Development (OECD) have launched a programme to explore harmonizing the country's international tax and transfer pricing legislation with OECD norms. Brazil made a formal request to join the OECD last year.

The programme will examine the legal and administrative framework of the Brazilian transfer pricing system and analyze its implementation. It will study the pros and cons in the Brazilian approach while exploring options for greater alignment with the OECD's international accepted standard - the OECD Transfer Pricing Guidelines. Such alignment would be necessary if Brazil is to join the organisation.

## Record high for global mergers and acquisitions



Global mergers and acquisitions in Q1 2018

Global mergers and acquisitions reached \$1.2 trillion in the first quarter of this year. It was spurred by faster economic growth in Europe and US tax reform. Other contributory factors were strong debt and equity markets, and growing corporate cash coffers.

According to Reuters, Anu Aiyengar of JPMorgan Chase stated that the clarity on tax has unclogged some of the M&A activity that was strategically imperative, but companies were waiting for the right financial timing. Borja Azpilicueta of HSBC Holdings was quoted as saying, “The better

macroeconomic environment in Europe has created greater confidence to get things done.”

Data indicates that merger and acquisition deals are generally getting larger. Although the number of deals fell by 10% to 10,338, their value rose 67% year-on-year in the first quarter of 2018. The big deals in this period included the purchase of Fortune 100 company Express Scripts Holding by health services organisation Cigna (\$67 billion) and the acquisition of energy company Innogy SE by German utility E.ON SE (\$38.5 billion).

## African regulator forum established

The African Forum of Independent Accounting and Auditing Regulators (AFIAAR) has been established by regulators from 11 African nations. The countries are Botswana, Ethiopia, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Tanzania, South Africa, Zambia and Zimbabwe.

According to *The Accountant*, the forum was established with the intention to formalise efforts for collaboration and strengthening of independent auditing, and where relevant, accounting regulation across Africa. It also stated, “The AFIAAR initiative was endorsed by the

IFIAR as a means to strengthen audit regulation in Africa, and develop regulatory and legislative provisions in African countries to a level where they can attain international membership to the global forum.”

CEO of Public Accountants and Auditors Board (PAAB) Zimbabwe Admire Ndurunduru said, “In the context of the development of our continent, this is a momentous initiative for Africa as it will be one of the keys to increasing investment in our economies, public protection and contributing to the development of the continent.”

### Pioneering accounting solution launched by Host Analytics

MyPlan - a pioneering collaborative planning, budgeting and forecasting tool - has been released. Created by cloud-based enterprise management software maker Host Analytics, the solution targets business owners. Accountants will thus be able to focus on more strategic responsibilities.

CEO of Host Analytics Dave Kellogg stated, “Up to now, the industry has failed to address this pain. When we surveyed our customers, they shared that they dread this process, and some went as far as to say that they would rather have a root canal than work on their budget.”

Kellogg added, “We decided to take a fresh look at this problem and solve it. Our team is proud to be the first to create this type of solution, and will continue to lead as the innovators in our industry.”

A chief financial officer was quoted as saying, “By demystifying the mechanics of budgeting and forecasting, MyPlan will foster greater buy-in of budget owners who will now be more empowered. Benefits will also accrue to the finance function, as less effort will need to be invested in converting budget owners’ ideas into dollars and cents.” He added that the prospect of cultural enhancement and efficiency in financial planning and analysis is exciting.



## FRC seeks involvement in senior hires of top firms



The Financial Reporting Council (FRC) - the UK's financial regulator - wants to be involved in the hiring of candidates for prominent positions at the biggest accountancy firms.

In a strategy and budget report, the regulator stated that it would report to firms on how candidates for important roles such as independent non-executives, heads of audit and ethics partners at the top firms meet its experience, skills and attributes criteria.

"We do not have specific powers in this regard and will look for the firms' cooperation in doing so," the FRC said.

Economia stated that the new approach would focus on five areas - leadership and governance; values and behaviour; business models and financial soundness; risk management and control; and evidence on audit quality, including from the FRC's programme of audit quality reviews. Chief Executive Officer of the FRC Stephen Haddrill said, "While we don't have conventional regulatory powers to address weaknesses in corporate reporting, we will, through this strategy period, ensure boards are aware of their governance and reporting requirements. Where we find failings, we will act."

## Reporting concepts revised by new IFRS framework



Revisions to concepts for reporting assets, liabilities, income and expenses have been included in a new conceptual framework for IFRS.

According to the Journal of Accountancy, the framework emphasizes that investors need information about financial performance (income and

expenses), as well as financial position (assets, liabilities, and equity). It also contains guidance for reporting financial performance.

"As defined in the new conceptual framework, assets and liabilities focus on a company's rights and responsibilities. The framework also states that financial statement preparers' decisions about what information to report about assets, liabilities, income and expenses should be based on what is useful to investors," the journal stated.

Chairman of the International Accounting Standards Board (IASB) Hans Hoogervorst said, "The revised conceptual framework will greatly assist the board when developing IFRS standards." He added that it will also help other stakeholders to better understand the concepts that underpin the standards.

## Europe backs task force on climate-related financial disclosures

A statement supporting the Task Force on Climate-related Financial Disclosures (TCFD) has been signed by Pan-European stock exchange Euronext, the Financial Services and Markets Authority in Belgium, the National Bank of Belgium and the Belgian Minister of Finance.

TCFD Chair and UN special envoy for climate action, Michael R. Bloomberg said, "More transparency will drive capital to companies that are mitigating risks posed by climate change and capitalizing on the opportunities it presents. Businesses have strong incentives to lead the way on climate change, and better data will help them do more and act faster."

Belgian Minister of Finance,

Johan Van Overtveldt said, "We need to support the creation of the right market infrastructure to finance the battle against climate change and pollution. A few weeks ago, our government set the example by launching our first green bond here in Belgium for a total amount of €4.5 billion."

He added that the financial sector should incorporate the costs related to climate change and pollution in their own models of credit and market risks.

The *Accountant* reported that the European Commission's Action Plan on Sustainable Finance specifically proposes incorporating the TCFD recommendations into the evolving EU corporate disclosure and reporting regime.

# Ethics and Disciplinary Committees' Reviews

## Ethics Committee

From December 2017 to March 2018, the Ethics Committee received 4 new complaints. These are currently receiving the attention of the Ethics Committee.

### Summary of complaints received from December to March 2018

- 1** A letter was received from an association under the caption 'Auditing of Listed Companies'. The Ethics Committee reviewed the letter, deliberated and decided to revert back only after the relevant ministry comments on this matter.
- 2** A complaint was received on 16 January 2018 in relation to the age limit of a directorship of a professional member under the caption 'General Inquiry'. An official complaint form was sent out to the complainant. This matter is currently being attended to.
- 3** A complaint was received against a professional member alleging that, while being a financial manager of a company, the member had misappropriated the company's money and committed financial fraud of approximately Rs80 million. This matter is currently being attended to.
- 4** A complaint was received against a professional member in relation to information that was publicly disseminated by him at a press conference. This matter is currently being attended to.

## Disciplinary Committee

Out of the 5 Disciplinary Committee inquiries brought forward from November 2017, investigations on 2 complaints were concluded and 3 are currently in progress.

### Summary of cases brought forward to 2018

- 1** SLAASMB has directed a re-audit of a listed company, as the original audit conducted by a firm of chartered accountants was found to be not in compliance with auditing standards. A prima facie case of professional misconduct was established under Section 20 Rule 1.1 of the Act. The Disciplinary Committee inquiry is ongoing.
- 2** The circulation of derogatory emails by a member threatening the Council and the President in relation to a decision implemented by the Council. A prima facie case of professional misconduct on the part of the member concerned was established under Section 20 Rule 1.9 of the Act. The Disciplinary Committee inquiry is ongoing.
- 3** Failure of an auditor to present the audit opinion and the audited financial statements of a client in compliance with the accepted format and standards. A prima facie case of professional misconduct on the part of the member concerned was established under Section 20 Rule 1.1 of the Act. The Disciplinary Committee inquiry is ongoing.

# Sri Lanka's international trade ties

Situated strategically, athwart the principal sea trade route in the Indian Ocean, Sri Lanka could not but be a part of international commerce. Over millennia, this helped shape the country's economy, culture and society. Although historically agriculture remained the mainstay of the economy, the sheer volume of trade had its effect

**By Vinod Moonesinghe**

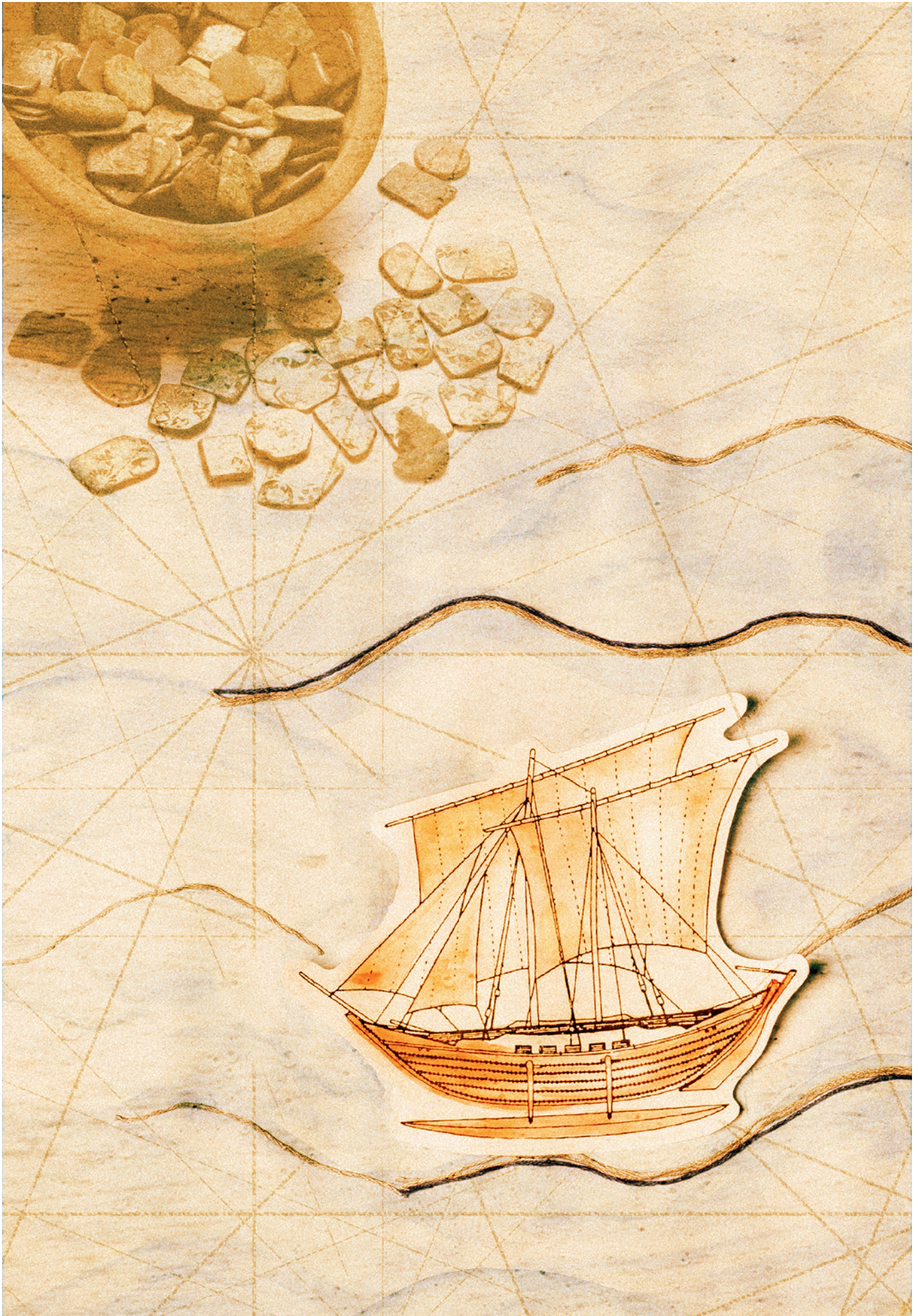
**I**nternational commerce had a large part to play in the history and culture of this island, dating back to prehistoric times. The Valahassa Jataka relates that the Yakkhini inhabitants of Sirisavattu lured and captured shipwrecked merchants, sometimes marrying them. Archaeological evidence of foreign trade goods from Anuradhapura, Sigiriya and Ibbankatuwa suggests a thriving Iron Age agriculture-based civilisation, of which only hints come down to us through ancient documents. The products and markets of this culture would have attracted merchants, many of whom settled down - a story repeated by later generations of traders, such as Moors, who settled and married local women.

## **Sindbad the Sailor**

The stories of Sindbad the Sailor in '1001 Nights' take place in the seas around Sri Lanka. The name Sindbad suggests a person originating in Sindh, indicating that Sindhis may have been involved in trade with the island from early times! The people who traded across the Indian Ocean, ranging from Egyptians to Chinese, must have been a fairly mixed lot, with a cosmopolitan culture.

The first traders to have arrived on these shores may have been the Indo-Aryan









(Top) Stylised representations of ancient **sailing vessels** appear on early potsherds and inscriptions

(Left) The arrival of Prince Sinhala (Vijaya), mural from Ajanta



Berenike and Myos Hormos on the Red Sea, suggesting the involvement of merchants from this region in trade with Egypt and Palestine.

### “The largest ships”

The vessels used by the Indo-Aryan traders appear to have been yathra-dhories, traditional outrigger sailing vessels used until the 20th century. The term dhoni, apparently originating from Telugu, may be related to Persian dani (yacht), Gujarati tarani (vessel) and Sinhala tarani (raft). Stylised representations of these sailing vessels appear on early potsherds and inscriptions. In the 3rd century BC, Greek ambassador to Pataliputra, Megasthenes mentioned wooden ships built to transport elephants from Sri Lanka to Kalinga (modern Orissa).

By the late Anuradhapura period, Sri Lankan ships grew to quite a size. The 9th century Chinese scholar Li Zhao, in his *Tan Guoshi Bu* (Supplement to the state history of T’ang), wrote that vessels from Sri Lanka were the largest of those visiting Guangzhou and Vietnam, with stairways for loading and unloading.

Unfortunately, the ancient chronicles, being more concerned with matters ecclesiastical than secular, give us very few clues about commerce. However, we do know from them that the main entrepôt for trade with India, Jambukola (modern Sambalpur) came to be replaced by Mahatittha (Mantai). Most ports stood at the mouths of rivers, for example Uruvela at the mouth of the Kala Oya, Salawata (Chilaw) on the Deduru Oya, and Kirinda on the Kirindi Oya. However, others came up in natural harbours: Gokanna (modern Trincomalee) and Galle.

### Godavaya

Ships depended on the monsoons, and a voyage from Guangzhou to Baghdad could take up to two years. Therefore, it made sense to have a transshipment port in-between. It is possible that the port of Godavaya (Gota Pabbata Pattna) fulfilled this need between the 1st and 10th centuries. Situated at the old mouth of the Walawe River, it also

(Prakrit)-speaking people who probably originated in Gujarat, known for its shipping from early times. While Sri Lanka’s foundation-legend from the ancient chronicles tell of the Indian prince Vijaya, who married the Yakkhini Kuveni, according to the *Divyavadana*, a compilation of Sanskrit Buddhists tales, the legendary prince-colonist came from merchant stock. The Mahayanist *Alokitesvara Gunakarandavyuha Sutra* also describes the migrant leader as a merchant-prince.

The Prakrit-speakers settled in Sri Lanka, merging with the indigenous population to form the Sinhalese, and their language, Elu, which later developed into Sinhala, came to be known as the “island language”— this label surviving in the related language of the Maldives, Dhivehi Bas. Similar communities of traders seem to have settled in South India, possibly even taking over the Pandya kingdom.

### Cosmopolitan culture

Later on, the Mahavamsa mentions the Damila (Tamil) rulers Sena and Gutika, “sons of a freighter who brought horses hither”, while stone inscriptions

tell of Tamil traders. Many have Indo-Aryanised names, suggesting a cosmopolitan trading culture.

The Brahmi script, ancestor to both the Sinhala and Tamil writing systems (as well as to a host of others, ranging from Devanagari to Khmer), first appears in Sri Lanka and South India. Some authorities consider that it developed from Phoenician-related scripts. If so, merchants trading with the Middle East must have made regular visits to this region.

The Bible mentions that King Solomon received peacocks from “Tarshish” through traders from Phoenicia and Sheba (modern Yemen). The Mahavamsa also says that the 4th Century BC King Pandukabhaya laid out a Yona quarter. Yona, derived from “Ionia”, refers to Greeks or Hellenised Asians, but in this instance possibly refers to West-Asian merchants. After Alexander the Great, Greeks did begin trading here, as did the Romans later - evidenced by many caches of Roman coins found all over the island.

On the other hand, samples of Brahmi, in both Prakrit and Tamil, have been discovered at the sites of ancient

fulfilled the task of shipping locally produced goods from the hinterland.

A German team excavated the site and discovered a jetty made of stone pillars up to 3.50 metres high, a customs house and the remains of an ancient monastery, as well as clay lion-seals used by customs officials, Roman coins, beads, bangles, pottery (including ceramics originating from China, the Middle East and Rome), bricks showing guild marks and richly decorated roofing tiles. Obviously, a prosperous international port stood here, a fact affirmed by stone inscriptions.

Archaeological examination of a wrecked ship discovered off Godavaya, dated between the 2nd century BC and the 1st century AD (the oldest in the Indian Ocean) has revealed a great deal about trade at that time. Among the finds were large storage and cooking pots, stone benches, grinding stones, and glass and iron ingots. The glass has tentatively been identified as originating from South India. However, the iron seems to have been produced by Ruhuna smelters - iron furnaces have been discovered upriver at Ridiyagama and Samanalaweva.

### Staffordshire to Zaiton

Among the goods exported through Godavaya were dark red garnets. In 2009, an amateur British treasure-hunter in Staffordshire discovered a hoard of objects, mainly weapons-related, dating from about 600 AD. The treasure contained some 3,500 cloisonné garnets, and it is likely that the gems originated in Sri Lanka - illustrating how far the country's trade links extended.

The island was known as "Ratnadveepa", from the abundance of gems which it exported. Most of the trade appears to have taken place with India, which remained, until the 18th century, one of the two largest economies in the world. Merchants traded ivory, both unworked and carved, with India and Myanmar. Megasthenes wrote of the export to India of Sri Lankan elephants, reporting them to be larger, more powerful and more intelligent than the mainland variety. Pearls from the Gulf of Mannar fisheries also gained fame



(Top right) **Sindbad the Sailor**, the Episode of the Whale, by Edmund Dulac,

**Sindbad the Sailor** by Gustave Dore



from as early as the time of Kautilya.

Pearls also featured in the island's trade with China. The embassy to Claudius had mentioned trade between Sri Lanka and China. Until the Ming dynasty, Sri Lanka may have been the terminus for ships plying from Guangzhou, Yangzhou and Quanzhou. The famed Chinese navigator Zheng He sailed from the last-named, known to Europeans as "Zaiton", and settled here the Sri Lankan prince he abducted - whose descendants live there to this day.

### Transshipment

Trade in ancient times involved mostly luxury goods. Sri Lanka imported silks from China; horses, perfume and glass from India; wine and corals from the Mediterranean; and superior-quality ceramic goods from all over. Apart from gems, pearls, iron and elephants, the islanders exported rice, ginger, honey, beryl, amethyst, gold, silver, chanks, tortoise shells, spices and muslin cloth. The cinnamon trade did not receive a mention until the 12th century - possibly because the source of this valuable spice remained a closely-hidden secret.

However, the bulk of trade volume

may have been in transshipment and re-export. In the 6th century, Persian merchants bought silks in the island, crowding the Byzantines out, who had to buy silk from here in South India. The ports of the island were reportedly jammed with ships from India, Persia and Ethiopia.

Such an abundance of shipping drew the attention of criminal elements, and piracy remained a threat to merchants for centuries. Most pirates were from Gujarat, Kerala or the Coromandel coast. However, some were indigenous: the Chola king Senkuttuvan came hither to defeat a pirate king, while Ibn Battuta relates that Arya Chakravarthi was a notorious pirate. Apart from piracy and the weather, restrictions on trade appear to have been limited to customs tariffs and other taxes. This position changed with the arrival of the Portuguese in 1505. The European occupiers sought to create a monopoly on trade with the island, ending the consensual freedom of the seas that existed until then. This signalled the end of over two millennia during which trade was conducted for the benefit of all. ■



# Effective audit regulation builds trust, attracts investment:

## Brian Hunt

The Chairman of global audit oversight body IFIAR outlines the growing demands on regulators

Audit regulators from over 40 countries converged on Colombo in February this year to sharpen their oversight skills and enhance regulatory processes with the aim of lifting investor confidence in capital markets.

The event was the 12th Annual Inspection Workshop of the International Forum of Independent Audit Regulators (IFIAR), which counts audit regulatory bodies from 52 countries as its members, including the Sri Lanka Accounting and Auditing Standard Monitoring Board (SLAASMB).

IFIAR Chairman Brian Hunt says the global body's mandate is to share knowledge of the audit market environment and practical experiences of regulators, promote collaboration in regulatory activities and provide a platform for dialogue with other international organisations which have interests in enhancing audit quality—including investors.

According to Hunt, audit regulators have a responsibility to enhance public trust in financial systems and investor confidence in capital markets. To do this, they must be independent of the profession, reach out to investors to keep abreast of their expectations and engage businesses to improve internal controls and processes.

**Audit is not necessarily about corruption or fraud, but I think we need to look at the wellbeing of the broader society**

*Excerpts of the interview:*

**Q: Why is audit regulation important?**

**Hunt:** IFIAR was established in 2006 and Sri Lanka joined a year later when SLAASMB became a member. Audit regulatory bodies from 52 countries are members of IFIAR.

Part of IFIAR's mission is to collaborate and share best practices and information among member regulators, so that we build our capabilities to effectively inspect audit firms and thereby enhance investor confidence in capital markets.

In April 2017, IFIAR adopted a new governance structure and appointed a board of directors. Earlier, the chairman and vice chairman would meet to plan out activities, but now we have a permanent secretariat based in Tokyo. With what we have today we will maintain that corporate memory and so we are quite excited about that.

Audit is not necessarily about corruption or fraud, but I think we need to look at the wellbeing of the broader society. Confidence in capital markets is critical, so we need to ensure that financial statements are appropriately audited and companies behave in an appropriate manner without

## Perspective



breaching public trust. This is why audit regulation is so important. If there is mistrust in capital markets and financial systems, then you have a major problem in the economy.

It's encouraging that SLAASMB is independent and supported by the government, which is the case in Canada, Japan and even the UK. The core of IFIAR's mandate is to enhance investor confidence in markets.

Sri Lanka wants to attract foreign investment and IFIAR can help by working closely with SLAASMB to enhance audit oversight, because investors want to know they can trust the financial information given to them. It's all about building confidence.

### Can you give us a sense of how investors are increasingly asking for independent audit?

**Hunt:** Investors are really interested in how a company will generate cash and profitability in the future. Auditors, on the other hand, look at the back-end of businesses and give investors an opinion based on a historical view of how successful it has been generating cash and profits. So investors are increasingly asking auditors to look beyond the historical context.

While auditors typically don't make forecasts, they can and do take deep dives into areas that'll have a material future impact on a business. For instance, they can look at the order books of retail and manufacturing companies and ensure that their forecasts, projects and budgets are not based on wild speculation.

Investors see the financial audit as a foundation. If auditors do their work and demonstrate strong industry expertise, the true and fair view of a company becomes deeper and broader. This gives investors more confidence. For example, a bank opens a savings account and issues a debit card and credit card, so is that three transactions or one? Or, a retail store may have different methods to account for its store and online sales; an auditor needs to make sense of these nuances and also ensure key risks are identified and mitigated.

In this regard, investors are asking for more transparency from audit firms. They want to know that auditors are capturing

### While auditors typically don't make forecasts, they can and do take deep dives into areas that'll have a material future impact on a business

all the critical details, not just detecting fraud or mismanagement. This is why it's important that audit regulators reach out to investors so they can perform effective inspections of audit firms. Audit regulators can engage audit and investment committees of public companies so that the necessary processes are in place to facilitate and enhance the work of external auditors.

Investors are demanding transparency from regulators too, and this can be a challenge. There are issues a regulator can directly handle with audit firms, but there may be times it must go public. Regulators can have transparent audit inspection methodologies. Instead of going from cover to cover of an audit report, they can focus on risk areas and go deeper. When this happens, audit quality and consistency are better captured. Investors can follow these steps and this is something IFIAR will work to enhance over the next few years. There are investors around the world who don't even realise that there is a body regulating the work of audit firms. The challenge is to reach out to them so that we can create dialogue about improving audit quality. It's not about going through files, like I said before. It's about being smart, identifying and mitigating key risks across the business cycle, and investors can help in creating effective audit processes.

We already conduct an inspection survey of audit firms in member countries and set targets for improvement. One in three audit reports has a problem, and this needs to come down.

We reported findings in 45 % of audit work surveyed across IFIAR member countries; this needs to come down to 40 %. Nine of the biggest IFIAR member countries reported 39 % and we need to reduce this to 30 %. As audit regulators we are committed to improving quality because it's critical for economic wellbeing and investor confidence.

### What do you mean by findings?

**Hunt:** This is where we feel not enough audit work has been done to justify an audit opinion that has been given. This does not always mean financial statements have to be adjusted and restated, often management have got that right, it's just that we feel the



auditors have not done enough to justify their opinions.

The survey is just one way to measure audit quality, and IFIAR has been doing that for seven years.

If audit firms had only one client, they will have the resources and time to do a great job. Being consistent across a portfolio of several clients is challenging, but it must be done.

In the past, audit firms managed their work per engagement. However, we believe that firms need to manage their businesses and how they look at risks across the portfolio and not by client basis.

We started with a 47 % deficiency rate, and now we are at 40 %, so there is improvement, but we need to be lower. The survey is one method to measure audit quality. We need others. For instance, the consistency of execution and business processes need to be evaluated.

It's not just the auditor. A good audit requires companies to have effective audit committees and chief financial officers. There's a lot of work that needs to take place for an external audit to be successful. It's not just the files but business processes and having systems in place to monitor key risks and identify issues before they become issues. From IFIAR's point of view we try to talk about these things, sharing best practices and methodologies with members, so regulators can look deeper into inspections and inspection results.

### What does your latest survey say about auditor independence, and also how important is it for regulators to be independent of the profession?

**Hunt:** There are a number of violations where audit independence is concerned. The large firms are getting better at monitoring independence, but then that's a challenge if you look at the big six firms. I think they are building systems. It's not an easy task but it is being done and we don't see some of the violations which we used to.

For regulatory bodies, to be a member of IFIAR they need to be independent from the profession. One way to do this is to ensure that the oversight body is embedded in legislation, as is the case with SLAASMB

### Most audit firms recruit staff straight out of business school, but going forward they will have to understand software and be able to write algorithms and code

in Sri Lanka. I must add here that, in terms of the inspections, we appreciate the Sri Lanka Accounting and Auditing Standards Monitoring Board's standards.

This ensures that regulators are not influenced by the profession. In Canada for example, out of 11 members of the regulatory board, only four can have a background working at an audit firm, provided it's after a one-year cooling period. It's not just the board; the majority of staff have to come from outside the audit profession. Board members and staff that come from the audit profession are prevented by law from inspecting audit firms that they had relationships with.

### What important trends do you see in the audit profession?

**Hunt:** I think the one that usually comes up is around technology and how that is going to impact the audit. There's a lot of discussion around this and how auditors should equip themselves for the future.

Not much has changed in the last 15 years or so of what we audit. But companies have changed. Businesses have changed dramatically.

The audit may be a foundation, but going forward there will be other areas that auditors don't usually give an opinion about that will suddenly matter. For example, what is going to be the impact of artificial intelligence or block chain on how an audit is performed? In an era of big data, auditors need to know how to extract relevant information and sample them.

Audit firms are investing in technology to give them these capabilities, but it's not happening in a mass scale. When we did audit inspection we found that sometimes the technology is inappropriately used or even overused so the analytics don't make any sense.

Most audit firms recruit staff straight out of business school, but going forward they will have to understand software and be able to write algorithms and code. Audit firms are gearing up for that, but it will take time.

Audit regulators need to keep pace with these developments so that they can do a better job to ensure quality standards are maintained. ■

## Update

# Renewed boost for CA Sri Lanka's training partner portfolio



The training partner portfolio of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) received a fresh boost recently with 16 top companies coming onboard to provide practical training for the institute's business and corporate level students.

Accordingly, Ansell Lanka (Pvt) Ltd., Business Promoters & Partners Engineering (Pvt) Ltd, Co-operative Insurance Company Ltd., Dutch Lanka Trailer Manufacturers Ltd, Hemas Hospitals (Pvt) Ltd., Hovael Constructions (Pvt)

Ltd., Jetwing Travels (Pvt) Ltd., Litro Gas Lanka Ltd., Maga Engineering (Pvt) Ltd., Metecno Lanka (Pvt) Ltd., Nations Trust Bank PLC, Nor Lanka Manufacturing Colombo Ltd, Orient Insurance Ltd., Singhagiri (Pvt) Ltd., Trendywear Adhikarigama (Pvt) Ltd., and Wickramaratnes (Pvt) Ltd., received training partner recognition certificates from CA Sri Lanka President Jagath Perera at a ceremony held at the institute recently.

Speaking at the event, Perera emphasized the need for

training partners to develop the students' professional skills, ethics and attitudes, in addition to providing them with the necessary technical exposure.

The 16 companies represent the Non-Public Practice Organisations, and join a portfolio of over 600 existing approved training partner organisations of CA Sri Lanka.

The new companies will provide practical training to aspiring chartered accountants who are following the globally recognised CA qual-

ification. Practical training is one of the most unique features of the CA programme, and students must complete three years of practical training before qualifying as chartered accountants.

CA Sri Lanka's practical training scheme has been revamped; the new training requirement has been developed in line with international accounting education standards and based on stakeholder expectations from future professional chartered accountants. ■

## CA Sri Lanka's YCAF takes lead in guiding young chartered accountants



The Young Chartered Accountants Forum (YCAF) of CA Sri Lanka has taken the lead to inculcate the necessary skills among young chartered accountants to help them achieve success as globally sought-after professionals.

In this endeavour, YCAF recently organised a career guidance workshop to help young chartered accountants transit from trainees to fully fledged finance professionals and excel in their careers.

The workshop was conducted by a pool of renowned resource personnel and was designed with a view to equip young chartered accountants with the desired skills and attitudes required in the current context. The workshop covered inherent powers of professional presence, the importance of grooming and etiquette, and how to get rid of interview jitters.

The sessions were conducted by executive coach

Loretta Gunawardene, Andrea Jayathilake, Director of Smart Quest (Pvt) Ltd, and Suran Wijesinghe, Group Financial Controller of John Keells Holdings PLC, who shared insights into the necessity for agile and vibrant leadership in the digital era.

The workshop was followed by a panel discussion on the expectations of the corporate world by young chartered accountants, which gave insights on the most sought-after questions asked by young professionals. The panel members comprised Chaaminda Kumarasiri, Chairman of H C P Consulting (Pvt) Ltd., Yogendrapasath Sathiyaseelan, Head of Finance at Supreme Global Holdings (Pvt) Ltd., and Vinodya Cooray, Sector Financial Controller - Destination Management Sector at John Keells Holdings PLC. The discussion was moderated by Jani Ganeshan, Finance Manager of Ceylon Cold Stores PLC. ■

## CA Sri Lanka awards diplomas for accounting professionals to enhance their IT security skills



CA Sri Lanka, which has been at the forefront in training accounting professionals to enhance their IT security knowledge, recently introduced the Diploma in Information Systems Security, Control & Audit (DISSCA) for accounting professionals to successfully enhance their IT security skills.

During the 24th DISSCA certificate awarding ceremony, 15 students who successfully passed the exams were awarded the diplomas.

DISSCA is conducted in collaboration with the Institute of Chartered Accountants of India (ICAI).

To date, the annual programme has trained hundreds of accounting professionals including managers, supervisors of audit firms, internal auditors, accountants and financial controllers to enhance their expertise in information systems security, control and audit.

DISSCA covers pertinent areas relating to enhancing IT security for accounting professionals. The programme covers a primer on information technology in

infrastructure & emerging technologies; information systems assurance services; governance & management of enterprise information technology; risk management and compliance reviews; protection of information systems infrastructure and information assets; systems development: acquisition, maintenance and implementation, software audit and mock test; business continuity management; and professional opportunities in information technology.

The programme has been specially designed for managers and supervisors of audit firms and internal auditors requiring a functional level understanding of computer auditing in an information systems environment that requires an understanding of information systems security and controls.

Professionals with a degree from a university or a professional qualification such as CA, CIMA, ACCA, CMA, banking and finance, CIM or any other recognised qualification can follow the programme. ■



## Update

# Jagath Perera inducted as 24th President of CA Sri Lanka

Jagath Perera was ceremonially inducted as the 24th President of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) on 8th February 2018 in the presence of a distinguished gathering including Prime Minister Ranil Wickremesinghe, senior government officials and business leaders.

A leading figure in the accounting profession, Perera is a fellow member of CA Sri Lanka with a wealth of experience including in risk consulting and forensic accounting. He is presently a Partner of KPMG in Sri Lanka.

He has served on the CA Sri Lanka Council as a member since 2010, and was the Institute's Vice President from 2016 to 2017. At the institute, he chaired the Operational Review Committee, Examinations Committee, Student Training and Development Committee, SMP Capacity Building Task Force, sub-committee to review and recommend the institute's minimum allowances to trainees, and the sub-committee to revise the institute's practical training guide. Perera also served as an alternate chairman and member of various other committees of the institute. He was also chairman of the sub-committee for the development of professional accountancy organisations in Sri Lanka.

Perera also plays a significant role across the international accounting arena, serving in a number of committees of the Confederation of Asia Pacific Accountants (CAPA) and the South Asian Federation of Accountants

**Perera plays a significant role across the international accounting arena, serving in a number of committees of the Confederation of Asia Pacific Accountants (CAPA) and the South Asian Federation of Accountants (SAFA)**

(SAFA). He is a member of CAPA's Public Sector Financial Management Committee and SAFA's Professional Ethics & Independence Committee, the Small & Medium Practices Committee and the Sustainability Development Goals Task Force. He is also a director of the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) and a commission member of the Securities and Exchange Commission of Sri Lanka.

A former student of Ananda College, Colombo, Perera has a Bachelor of Science in Business Administration from the University of Sri Jayewarde-



nepura. He is a member of the Association of Certified Fraud Examiners, USA, and the Institute of Internal Auditors, USA. He has presented papers at both local and international conferences on the subjects of combatting fraud and white collar crimes.

Meanwhile, Manil Jayesinghe was elected as the Vice President of CA Sri Lanka. He is the Head of Assurance/Senior Partner at Ernst & Young Sri Lanka.

A fellow member of CA Sri Lanka and a member of the Chartered Institute of Public Finance & Accountancy (CPFA) - London, Jayesing-

he has served as a Council Member of CA Sri Lanka since 2014, and chaired the Statutory Accounting Standard Committee and Examinations Committee of the institute, apart from his role as the alternate chairman of the Audit Faculty and Operational Review Committee.

Jayesinghe currently serves as a board member of the International Accounting Education Standards Board of the International Federation of Accountants (IFAC), and as a consultant to the Audit Committee of Listed Companies. He is a past member of the board of CIMA Sri Lanka. ■



## Ananda College wins at CA Sri Lanka's 2018 Business Plan Competition



Ananda College battled against seven other top schools in the country to win the championship at the 2018 Business Plan Competition grand finale of CA Sri Lanka, organised to help cultivate entrepreneurial skills among students.

The Ananda College team will fly to Brisbane, Australia, in May 2018 to represent Sri Lanka at the BlueShift International Business Case Competition organised by the QUT Business School of the Queensland University of Technology.

The first runner-up was Richmond College of Galle, while Visakha Vidyalyaya of Colombo was adjudged second runner-up. The other teams that took part in the grand finale were St. Benedict's College, Bandaranayake College, St. John's College, Mahamaya Girl's College and Maliyadeva College.

Addressing the students, Deputy High Commissioner of the Australian High Commission in Colombo, Tim Huggins, who was the chief guest, said entrepreneurs are an important segment in society, and they are going to be very critical to Sri Lanka's economy as they are the people who will underpin the next stage of Sri Lanka's growth while creating new sectors. "You are the next generation of Sri Lankan business and you should be confident in your strengths and the ability to compete globally," he said.

Over 30 schools representing Colombo, Gampaha, Galle, Kurunegala, Kandy and Jaffna took part in the regional levels, which was open to students sitting for the GCE Advanced Level examination in 2018 or 2019 from the commerce stream in English medium. The panel of judges were



Dr. Nandana Pathiranaige, Senior Lecturer in Accounting; Professor Peter Green, Professor and Head, School of Accountancy of the Queensland University of Technology (QUT); and Andrew Paltridge, Assistant Dean (International) of the QUT Business School.

The strategic partner for this year's Business Plan Com-

petition was QUT Business School, while the competition was organised in association with the Sri Lanka and Australia Chamber of Commerce (SLACC).

During the grand finale, a memorandum of understanding was also signed between QUT, SLACC and CA Sri Lanka. ■

## Focus On - Technical

# Changes to SLFRSs

Amendments announced to Sri Lanka Accounting Standards for 2018



**C**A Sri Lanka's annual publication of Sri Lanka Accounting Standards (SLFRSs) deals with several amendments effective from 01 January 2018 including in the areas of financial instruments, revenue from contracts with customers, share-based payment transactions and foreign currency advance payments.

**Excerpts of some of the changes are as follows:**

### **01. SLFRS 9: FINANCIAL INSTRUMENTS**

SLFRS 9 includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. This Standard will largely replace the provisions of LKAS 39 *Financial Instruments: Recognition and Measurement*.

#### **Salient features:**

(i) Three categories of Financial Assets, based on the measurement basis, i.e.

- Amortised cost

- Fair value through other comprehensive income (FVTOCI)
  - Fair value through profit or loss (residual)
- (ii) Classification of debt instrument is dependent on both:
- The contractual cash flow characteristics of financial assets
  - The entity's business model objective for managing financial assets
- (iii) Exception is no more available to measure investments in equity instruments that do not have quoted prices in active market at cost.
- (iv) Allow trade receivables that don't have a significant financing component to be measured at undiscounted invoice price rather than fair value.
- (v) Loan losses need to be accounted using "Expected Credit Loss model".

## 02. SLFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

SLFRS 15 introduces a five-step model for revenue recognition and measurement while replacing the following pronouncements:

- (a) LKAS 11 Construction Contracts;
- (b) LKAS 18 Revenue;
- (c) IFRIC 13 Customer Loyalty Programmes;
- (d) IFRIC 15 Agreements for the Construction of Real Estate;
- (e) IFRIC 18 Transfers of Assets from Customers; and
- (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.

This SLFRS Bound Volume – 2018 also incorporates the Clarifications to SLFRS 15 adopted in October 2016.

### Salient features:

(i) SLFRS 15 introduces a new contract-based five-step model/ analysis of transactions, focusing on transfer of control for the timing and amount of revenue under two approaches to recognise revenue: at a point in time or over time as follows:

- Step 1** - Identify the contract with the customer
- Step 2** - Identify the performance obligations in the contract
- Step 3** - Determine the transaction price
- Step 4** - Allocate the transaction price to the performance obligations
- Step 5** - Recognise revenue when (or as) the entity satisfies a performance obligation

- (ii) Significant judgment is required with extensive disclosure requirements for all companies
- (iii) The impact will vary between entities.

## SLFRS 9 and SLFRS 15 will bring several consequential amendments to other Accounting Standards.

### 03. ANNUAL IMPROVEMENTS TO SLFRSS 2016

The narrow scope amendments to the following SLFRSs from the Annual Improvements 2016 will be effective from 01 January 2018.

#### (i) Amendments to SLFRS 1 *First-time Adoption of Sri Lanka Accounting Standards*

Short-term exemptions in paragraphs E3–E7 of SLFRS 1 are deleted, because they have now served their intended purpose.

#### (ii) Amendments to LKAS 28 *Investments in Associates and Joint Ventures*

Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

### 04. OTHER AMENDMENTS TO EXISTING SLFRSS

#### (i) Amendments to SLFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendment introduces narrow scope amendments to SLFRS 2 Share-based Payment to clarify the classification and measurement of share-based payment transactions. It provides requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

#### (ii) Applying SLFRS 9 with SLFRS 4: Insurance Contracts

This amendment intends to address the temporary accounting consequences of the different effective dates of SLFRS 9 Financial Instruments and the forthcoming Insurance Contracts Standard.

This amendment provides two options for entities that issue insurance contracts within the scope of SLFRS 4 as follows:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach");
- an optional temporary exemption from applying SLFRS 9 for entities whose predominant activity is issuing contracts within the scope of SLFRS 4 ("temporary exemption").



## 05. IFRIC 22: FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. It covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability and need not to be applied to income taxes, insurance contracts or reinsurance contracts.

Please visit [www.slaasc.lk](http://www.slaasc.lk) to view IFRIC 22.

## 06. STATEMENT OF ALTERNATIVE TREATMENT (SoAT) ON THE FIGURES IN THE INTERIM FINANCIAL STATEMENTS

The Council of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has decided to issue the Statement of Alternative Treatment (SoAT) on the Figures in the Interim Financial Statements.

The objective of issuing this SoAT is to grant a relief in the preparation of interim financial statements in accordance with LKAS 34 *Interim Financial Reporting* for the first financial reporting period beginning on or after 01st January 2018, in applying SLFRS 9 Financial Instruments that is to be effective from then onwards in the Sri Lankan context. In recommending this SoAT for adoption in Sri Lanka, the Accounting Standards Committee has considered several requests received from the preparers for such a relief which will provide additional time horizon for smooth implementation of SLFRS 9.

Accordingly, the entities that prepare the interim financial statements as per LKAS 34 may continue the application of LKAS 39 *Financial Instruments: Recognition and Measurement* with disclosures on impact to the Statement of Comprehensive Income for the period, if SLFRS 9 has been applied during the financial year commencing on or after 1 January 2018, provided that such determination of impact being impracticable, that fact shall be disclosed.

---

Sri Lanka Accounting Standards Bound Volume – 2018 incorporates all the above amendments and new SLFRSs. You may also visit the official website on Accounting Standards Committee to view the latest version of SLFRS Bound Volume.

## CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2017

The Code of Best Practice on Corporate Governance 2017 builds on the previous codes to strengthen best practice in governance in the context of global developments relevant to Sri Lanka, emerging contemporary matters of governance and challenges with greater importance to the Sri Lankan capital market.

### Some of the key changes in the updated code are:

- Board composition
- Expansion of board responsibilities
- Expanding provisions of directors' training and their authority to seek expert advice
- Specimen Audit Committee Charter and enhanced role for the Audit Committee on internal controls and risk reviews
- Introduction of a Related Party Transaction Committee in line with the provisions of the Colombo Stock Exchange
- A requirement for reporting on Cyber Security and impact from the Internet of things
- A requirement for Environment, Society & Governance (ESG) reporting
- Expanding Corporate Reporting to include; Integrated reporting considerations, annual internal controls and risk reviews, CEO and CFO declaration, compliance with Code of Conduct & Ethics and fair value of Property, Plant and Equipment.

The Code of Best Practice on Corporate Governance 2017 will be effective for financial periods beginning on or after 1 January 2018.



# SUNNY SIDE UP

We've listed out the best-looking sunnies to wear into the summer season - which in Sri Lanka is all year long!



#### POLO RALPH LAUREN PH 3096

Inspired by tradition and refinement, the polo classic collection brings authentic style to daily life. These metal frames are comfortable, sleek and come in vintage-inspired colours, with a subtle metal "polo" logo at the head of the temples. The non-polarised, 100% UV protection coated lenses are in sophisticated gradient to complete the stylish look. Wickramarachchi Opticians; Rs37,500



#### RAY-BAN RB 3538 189

This unisex Clubmaster-inspired style is available in a range of colours with matte or shiny finishes. The mirror lenses act like a one-way mirror, decreasing the amount of light passing through the lens and making it ideal for extra sunny days. Wickramarachchi Opticians; Rs37,500



#### OAKLEY JAWBREAKER™ POLARIZED

When it comes to sunglasses, Oakley is hard to beat. Meeting the demands on world-class athletes, Oakley's innovation reached a peak with the Jawbreaker™ Polarized. The design allows surge ports to let in cooling airflow, Unobtainium® components for a comfortable and secure fit, and interchangeable lens using Switchlock™ technology for vision optimization. Available in seven different colours and lens options, you can choose your preferred aesthetics to ensure the correct lens for your type of riding. Open Road Equipe; Rs30,000



#### PRADA SPS 04S

Initially released in 2016, these Prada Sport sunglasses are part of the Linea Rossa range. This pair is in rubber black (colour code: DG0-5S0), with 100% UV protected grey lenses. Vision Care; Rs27,500



#### MAUI JIM MJ291 MC- GREGOR POINT

The tortoise frame McGregor Point features anti-corrosive spring hinges and HCL® Bronze lenses, which are versatile in changing conditions with a warm tint. The lightweight frame is also comfortable enough for long hours of wear. Vision Care; Rs60,000

# GOOD REASON TO BE ON LISTED EQUITIES

# FRONTIER RESEARCH

In recent years, listed equities were eclipsed by fixed income assets, but soon they'll ride the bull

**F**rontier Research is bullish on listed equities, with interest rates easing and consumer demand picking up in 2018. Two years ago, the firm, which specializes in macroeconomic and industry-specific research, advised clients not to invest in listed equities. Now it's asking them to do so.

The All Share index of the Colombo Stock Exchange fell 10% over a 33-month period to end-September 2017, and most investors took cover in high-yielding fixed income assets. These included government and corporate securities and bank fixed deposits, which also enjoyed tax concessions. During the first nine months of 2017, most fixed income funds returned between 7% and 15%, while listed stocks returned 3%. However, Frontier Research believes that this year, listed equities will give better returns than fixed income assets.

Frontier Research's Founder and Chief Executive Amal Sanderatne, product heads Travis Gomez and Trisha Peries, and Product Lead Thilina Panduwawala took part in a roundtable discussion to explain why equity is hot - they don't recommend individual stocks but industry sectors. Here, they also discuss underlying economic trends shaping markets in 2018 and beyond.





# BULLISH



### How would you describe 2017, and what's the outlook for 2018?

**Trisha Peries:** There were several positive trends in 2017 in terms of fiscal and monetary policy, and exchange rate management. The Central Bank governor assures there will be no sugar-highs and that credit growth is controlled. The Central Bank is maintaining flexibility, giving the market space to determine the exchange rate. The positive effect of this is that foreign exchange reserves have grown to over \$7 billion during the year from about \$5.5 billion at the beginning of 2017. Fiscal performance is improving, with promising revenue and expenditure numbers.

Interest rates are expected to ease. In Sri Lanka, we experience up-down cycles in terms of interest rates. Since 2006, the country has been through two up-down cycles, and we believe we're in the downward leg on a third such cycle. So interest rates will ease during the first half of the year, but there will be pressure for rates to rise as domestic debt repayment pressure builds up in the second half. Around Rs600 billion of the government's domestic debt is expected to mature during the year, most of this in the second half. We expect interest rates to continue to move upwards in 2019. We expect the exchange rate will continue to be more market determined. We don't expect any shocks, but could see 3-6% annualized depreciation of the rupee against the US dollar within the next two years.

Consumer demand has been sluggish over the last two years due to monetary policy tightening since 2015, tax increases and reducing disposable incomes. However, we believe consumer demand will improve in 2018. Business sentiment has been low, and this is reflected in corporate earnings, but we'll see a pick-up this year.

### What about economic growth? What's your outlook for 2018?

**Peries:** At Frontier Research, we don't really treat Gross Domestic Product (GDP) as a useful economic indicator,

because it does not represent what businesses do. We believe that companies don't rely on GDP forecasts when they plan their strategy. We rather focus on consumer demand because that's what businesses want to know; it's a better indicator than GDP growth. We tell our clients that GDP growth rates can be volatile and fairly inaccurate in terms of capturing market dynamics. The economy will have a better run in 2018 and beyond, driven mainly by consumer demand, increasing government spending and a pick-up in exports with GSP Plus trade concessions to the EU taking effect. The main driver will be household consumption, which was low in 2017.

### So, you don't have a forecast for economic growth?

**Peries:** We do, but we rarely share it with our clients because, in our opinion, it is not a very useful indicator. Our clients are more concerned about business growth and where it will come from: the consumer. There can be problems when GDP is estimated, and when base years are revised, growth rates change significantly. For instance, high growth rates recorded for 2013 and 2014 fell sharply to around 3-4% when the base year was revised to 2010.

### What's your view on inflation?

**Peries:** In 2017, inflation peaked to record highs on the new index, staying at over 7% levels over a few months. As is well known now, this was driven very much by poor supply side conditions due to droughts and floods, which caused F&B inflation to rise sharply.

This trend doesn't yet seem to show signs of easing, with droughts expected to persist in the beginning of this year as well. Further adding to possible upside pressure on inflation in 2018 are energy pricing reforms due in March and September. These elevated levels of inflation are particularly concerning given that the Central Bank is expected to move into an inflation targeting monetary policy framework in 2018 as recom-



▲ Trisha Peries

“ The economy will have a better run in 2018 and beyond, driven mainly by consumer demand, increasing government spending and a pick-up in exports with GSP Plus trade concessions to the EU taking effect. The main driver will be household consumption, which was low in 2017



mended by the IMF. However, despite the acceleration in headline inflation, core inflation - which excludes volatile items like food, energy and transport - has not followed this rising trend, and is therefore somewhat of a positive in this worrying inflation outlook.

**Interest rates will ease before rising again. What does this mean for money and equity markets?**

**Amal Sanderatne:** Our view is that interest rates will ease during the first half of 2018 before increasing, slowly at first, and picking up in 2019. However, it will not be a shock and volatility will be less. There will be a positive story on volatility. At the same time, demand conditions are improving with spending related to the budget in 2019 due to elections. For this reason, we're more bullish on equities right now than we've been for the last one and a half years. We also feel that the market will take time to adjust to the falling interest rate cycle. Not all investors can see what we do. There will be more inflows into the equity market from domestic investors during the first half of 2018. The Colombo Stock Exchange is poised for a strong performance. The equity market here is undervalued compared to most emerging markets, which is why foreign investors are already attracted by cheap valuations. Also, improving consumer demand will translate into better earnings for listed companies. Interest rates rising after the second half of 2018 won't be a shock to the equity market, either. So, our advice right now to investors is to increase equity allocations.

**So, investors should start increasing equity allocations. Many hold the view that equity should be a long-term investment. Does this hold up in a market like ours?**

**Sanderatne:** Our view on equity is a short-term position. If the stock market performs as we expect and by June 2018 investors have made their money, we will have to make a call on what to do next. The Sri Lankan economy is very cyclical, so fundamentally, asset allocation needs to be dynamic. I know a

lot of people believe in this buy-and-hold strategy, but the Sri Lankan dynamic is very different. We believe in timing market cycles and making aggressive calls on asset allocation when appropriate. Timing markets requires a high degree of skill, like choosing the right advisors. Given the current economic conditions and interest rates trajectory, we believe the greater opportunity lies in listed equities.

We're not talking about buying and selling, or holding for the long term, but timing the market cycle. In any case, for a market like Sri Lanka, one to two years can be considered the investment holding period, which we often advise because of short market cycles.

For instance, our view for 2016/17 was bullish on fixed income and not equity. Back then, we estimated inflation to average 4-5% over five years, which meant that real returns on fixed income investment would be high. At that time, the equities outlook for 2016/17 was dull compared to fixed income, especially because the IMF demanded a narrower budget deficit. There was an expectation that there would be a greater focus on austerity and taxation, and this was expected to negatively impact corporate profits. We believed this was factored into the equity market in 2016 and would continue into 2017. If our clients took our advice then, they'd now be sitting on substantial capital gains. Some of them have now allocated more into equity based on our current view. There are still those holding on to long bonds. As interest rates fall this year, they should be looking to cash out.

**What are the hot stocks to go for?**

**Travis Gomez:** We don't look at individual listed stocks but focus on sectors we can recommend allocations to. One sector with upside potential is banking. Given our view of interest rates weakening during the first half of 2018, a key indicator of banks' performance, net interest margins, will

“Our view is that interest rates will ease during the first half of 2018 before increasing, slowly at first, and picking up in 2019. However, it will not be a shock and volatility will be less. There will be a positive story on volatility



▲ Amal Sanderatne



Travis Gomez

“China’s ‘One Belt, One Road’ initiative and the fact that it’s increasingly looking for qualitative investment opportunities offshore should be opportunities for Sri Lanka. China is also rebalancing its economy for more consumption-led growth

be under pressure. However, despite the squeeze in margins, we don’t expect to see a significant decline. Banks can quickly adjust their deposit rates down while keeping their lending rates steady, so net interest margins are unlikely to decline sharply. Banks also maintain conservative positions on non-performing loans and their loan books are fairly diversified so risks are spread. Banks will be fairly stable in 2018 and returns will continue to be consistent. Larger banks have been making average return on equity of about 15%, which is quite high compared to most other sectors. In terms of valuations, banks are trading at relatively cheap prices. So banks are a good investment to have.

It’s the same for non-bank finance companies; their loan books are growing at a similar rate to banks. However, there’s one advantage finance companies have over banks. When interest rates ease, people tend to shift their deposits from banks to finance companies. During the third quarter of 2017, banking sector deposit growth slowed, while finance companies saw a 10% increase. While this shift is a positive for finance companies, there is a worry that their tendency to be overexposed to vehicle leasing and hire purchase compared to banks could lead to some pressures on performance. We’ve already seen their loan impairment provisions increasing over the last few quarters. So, with regard to finance companies, the larger firms are good to look at because their asset bases are growing; it’s the smaller companies that will face some pressure.

The property development and real estate sector is another interesting sector although there are varying opinions about the condominium sector as to whether or not a bubble is forming. However, if you look at the listed companies in this sector, most of them focus on the commercial property space, which has a lot going for it including policy support for investments in BPO and KPO businesses to set up here. Demand for office space is growing, particularly high-quality spaces that

conform to international standards. So there is good potential there. Some of the listed companies within this sector have somehow managed to maintain high occupancy levels, and rental yields have been steadily improving; so that’s another sector to look at. Finally, given the amount of activity that is going on in the construction sector, listed manufacturing companies supplying it can plug in to this construction boom.

**We have debt servicing obligations and FDI has not flown in as expected over the last couple of years. Will this trend continue?**

**Thilina Panduwawala:** Sri Lanka needs policy consistency. If policy keeps changing from government to government and within the same cabinet, FDI will obviously remain at low levels, hovering around \$1-1.5 billion a year. FDI has declined over the last two years, but is inching up now. During the first eight months of 2017, FDI was around \$700 million and the Hambantota Port deal could bring in an additional \$300 million. The bottom line is, for FDI to take off, Sri Lanka needs policy consistency. Not only are investors getting mixed signals but confidence in the system isn’t improving as much as is needed. Sri Lanka has had issues with bureaucratic red tape, bribery and corruption, which must be dealt with by improving processes and transparency that allow implementing agencies assisting investors to work seamlessly across the different ministries and government agencies. The government announced plans in the 2018 budget to set up a single window to attract FDI, which will be linked with over 30 other government institutions and a one-stop-shop at the Registrar of Companies. These are all very encouraging. Improving the ease of doing business is a good short-term measure to improve FDI. However, consistent policy is what will sustain robust long-term FDI growth, because investors will have confidence about the future. That’s what is needed to increase annual FDI from around \$1.5 billion now to the \$5 billion that the government aspires to.

**We have a new Inland Revenue Act**

**and a Foreign Exchange Act. What can investors expect with these two coming into play?**

**Gomez:** The core message that I think the government has been trying to push with these acts is to create an environment of transparency and stability in terms of the policy environment. The new Inland Revenue Act is an attempt to introduce transparency into taxation and processes. Definitions and guidelines on corporate tax and taxable profits are very clear, which will facilitate investment and business decision-making. There is also a shift from granting tax concessions to attracting investment.

The new act proposes benefits in the form of capital allowances. There is also an attempt to end the practice of giving tax concessions by guessing which sectors in the economy are doing well. The government is trying to move away from that and from the discretion that is given to the finance minister, replaced now by this very clear system. A positive thing about the 2018 budget is that the government did not deviate from this course. They did not try to change the corporate tax structures of the Inland Revenue Act. The tax concessions were limited to a very few things like renewable energy and dairy. It's evident that the government is intent on achieving consistency in the taxation policy, which is something that foreign investors want rather than particular benefits to set up industry here.

It's the same with the new Foreign Exchange Act. There's a shift in attitude: from a mindset of control to management, from constraints to facilitating within the systemic framework. This opens many opportunities for Sri Lankan businesses to venture overseas. The new act has increased limits on how much can be invested and where. For example, listed corporates can invest up to \$2 million to access international markets to buy stocks and investment bonds, and this helps diversify risks. The act also broadens the inward investment categories for foreign investors. This is an investor-friendly move. Despite the positives, it all comes down to how affectively the Inland Revenue Act and the Foreign

Exchange Act are implemented, whether or not they generate growth, or if they dent the government's fiscal position or lead to a flight of foreign exchange. From a macroeconomic perspective, the new laws are good, but they're also too late, so we won't see significant near-term gains from these. Our short-term forecast won't change because of them. The impact of these will be long term, and again, a lot depends on implementation.

**What about the reforms?**

**Panduawala:** The opportunities on the reforms side will depend overall on how the government manages its political capital. There are other opportunities, too. On the FDI side, we have the Chinese investment in Port City, which will also attract other investments, and FTAs with a number of countries in the pipeline.

**Gomez:** China's 'One Belt, One Road' initiative and the fact that it's increasingly looking for qualitative investment opportunities offshore should be opportunities for Sri Lanka. China is also rebalancing its economy for more consumption-led growth. In this regard, a free trade agreement with China will open opportunities for Sri Lanka, provided businesses are competitive to export there. Another big opportunity is from Chinese tourists. Arrivals from Western Europe have been growing slowly each year. We're seeing faster growth from East Asia and China in particular.

**Panduawala:** On the risk side, there are global risks that could materialize. There is the global monetary policy carried out by the US Fed and shrinking balance sheets as other central banks fall in line with it.

Over time, this will impact on how markets behave. However, for the moment, we don't expect any global shocks. Global oil prices are increasing. This will have two outcomes for Sri Lanka. First, remittances from the Middle East will stabilize or improve. Second, the import cost will rise, so there won't be much of a shock. ■

“ Sri Lanka needs policy consistency. If policy keeps changing from government to government and within the same cabinet, FDI will obviously remain at low levels, hovering around \$1-1.5 billion a year. FDI has declined over the last two years, but is inching up now



▲ Thilina Panduwawala





# Destinations Where Your Luxurious Lifestyle Begins

**3 in 1**

Luxurious Living  
Holiday Home  
Investment Property

**S.Thumilan**  
Group Chairman  
ACA, ACCA, ACMA (UK)  
CGMA, CPA (AUS),  
MCSI (UK)  
FMAAT (SL), ACS



## First Class Condos @

- ◆ No. 45, Alfred House Gardens, Col 03
- ◆ No. 06, 19th Lane, Colombo 03
- ◆ No. 121, Inner Flower Road, Colombo 03
- ◆ No. 15A, Layard's Road, Colombo 04
- ◆ No. 73, Gergory's Road, Colombo 07
- ◆ No. 02, Glenfall Road, Nuwara Eliya

## Business Class Condos @

- ◆ No. 502, Havelock Road, Colombo 05
- ◆ No. 08, Jayasinghe Road, Colombo 05
- ◆ No. 30, Hotel Road, Mount Lavinia
- ◆ No. 06, De Alwis Avenue, Mount Lavinia
- ◆ No. 34/2, De Serem Road, Mount Lavinia
- ◆ No. 216/A, George E De Silva Mw, Kandy

## Economy Class Condos @

- ◆ No. 31, De Alwis Place, Dehiwala
- ◆ No. 37/2, Beach Road, Mount Lavinia
- ◆ No. 15, Lillian Avenue, Mount Lavinia
- ◆ No. 19, Barnes Avenue, Mount Lavinia

**10+** Local Cities **30+** Condo Projects **1100+** Condo Units



Scan our  
QR BAR CODE  
for more  
exciting infos

Easy Interest Free Installment Scheme or Local & International Bank Loan can be obtained.

(\*Conditions Apply)



Sri Lanka's Largest Condominium Developer

Real Estate • Construction • Facilities Management

**Head Office - Sri Lanka**  
#32, 1st & 2nd Floors,  
Galle Road, Dehiwala, Sri Lanka

**Branch - United Kingdom**  
Dartford Business Park, Victoria Rd,  
Dartford, Kent, DA1 5FS, UK

**Branch - Australia**  
No.32, Brolin Terrace, Cranbourne  
North, Vic. 3977, Australia

**City Office - Sri Lanka**  
#9A, De Fonseka Place,  
Colombo - 04, Sri Lanka

**Branch - United Arab Emirates**  
Office 1403, Al Manara Tower,  
Burj Khalifa District, Business Bay, UAE

**Branch - Canada**  
No.01 Helicon Gate, Toronto,  
Ontario, M1G3R7, Canada

**Blue Ocean**  
GROUP OF COMPANIES

+94 777 121924 | +94 774 873 893 | +94 777 121 926 | +94 772 348 989

[www.blueocean.lk](http://www.blueocean.lk)

# BLUE OCEAN GROUP RISES TO GREATER HEIGHTS WITH RECORD-BREAKING ACHIEVEMENTS, AND IS GEARED FOR STRATEGIC PARTNERSHIPS

The construction industry has been a major contributor to Sri Lanka's rapid economic development over the past few years. The country has rushed to make up for its more than two and a half decades of intermittent building activity across most segments, from high-end residential housing and commercial and office space to a variety of key infrastructure segments.

The world has now shown a new interest in Sri Lanka thanks to its ongoing socio-economic stability and rapid economic growth. Global investors see afresh the opportunities that they can have by investing in Sri Lanka, which lies very close to one of the most sought after international sea trade routes. People who left the island in search of greener pastures abroad now see the same in Sri Lanka and return to have their dream homes built here. Foreigners, both in the corporate and private sectors, are vying to make the best out of what Sri Lanka has to offer now.

Colombo city is recognized as the most suitable to be South Asia's commercial hub. It is internationally-renowned as the region's cleanest and most livable city. With GDP per capita of the country destined to reach the level of US\$ 4,000–5,000 within the next three years, demand for real estate and properties in the country will boom, propelled by the US\$40 billion mega redevelopment project that Colombo and its suburbs are witnessing now under the ambitious Western Region Megapolis Project—Sri Lanka's grand strategy to propel the country to achieve its target to be 'a developed nation' by 2030 and gear the Indian Ocean island economy towards ensuring an unprecedented GDP per capita of US\$ 65,910 by 2050.

Similar to the emerging economies in China, Brazil and India, Sri Lanka has a wealthy middle class segment that can afford lavish lifestyles. The government is determined to take the development to all parts of the country by initiating massive projects in rural Sri Lanka to make the country the next Singapore.

The Blue Ocean Group of Companies has today grown into a formidable leader and

trendsetter in over six industries including real estate, construction, engineering, trading, education and corporate consultancy. Our dynamism is seen in the global networks and projects we have spawned and the expansion we fuel in Europe, Asia Pacific, the Middle East and Asia, especially the UAE, UK, USA, Canada and Australia.

The Group companies engage in varied construction and real estate activities; among them are construction and engineering, manufacturing ready mix concrete, carpentering furniture, fabricating aluminum door and windows, importing building materials and other heavy equipment, providing architectural and engineering consultation, and managing facilities to name a few.

In this context, the Blue Ocean Group, commanded by its visionary chairman Thumilan is poised to create a major construction revolution. Its fully owned subsidiary, Link Engineering (Pvt) Limited, boasts an illustrious and remarkable history spanning over 36 years. The company is the forerunner of the Sri Lankan construction industry with many notable projects that it completed during its illustrious career path such as Heritance Kandalama.

Construction companies should be innovative to meet the high demands of their clients and customers and to provide affordable building solutions for them. Link Engineering has understood this need very well. With every project they complete, they show their capability to meet the demand to satisfy everyone concerned. Link Engineering provides the industry with all its requirements supported by the Blue Ocean Group of Companies. They maintain the highest standards of the construction industry by delivering affordable quality products following modern architectural themes. The Group undertakes any monumental tasks in the field and completes them on time thereby proving their highly-acclaimed integrity and business ethics with their deeds more than with their words.

Understanding its core strength, the Blue

Ocean Group, the market leader in the Sri Lankan condominium market, acquired Link Engineering a few years ago. Today the company designs and constructs all the skyscrapers that the Blue Ocean Group undertakes. Aligned with the Group's hierarchy with their high quality portfolios, Link Engineering continues in the path towards sustainable profitability and creates new business opportunities for the Group and their customers around the world.

Another key factor that helps Blue Ocean rise majestically above its industry competitors is fulfilling a property seekers' requirements by providing them with a dream home; they also maintain their properties with the help of a sophisticated construction management company named Blue Ocean Facility Management by offering all facilities such as building maintenance service and wealth management. Hence one could say that Blue Ocean is a total package that provides all real estate services from condominium development to maintenance thereby obtaining worldwide recognition as Sri Lanka's largest and the most convenient condo developer. Blue Ocean Group also possesses the experience, technical expertise, manpower and financial strength to carry out any type of small, large or massive construction project that the government and private sector envisage in their journey towards the development of the country.

The Group's consistent year-on-year improvement in financial results is a signal of the financial sustainability of our business model. To ensure the sustainability of the social and environmental aspects associated with our business, we continue to embrace best practices for social and environmental management. From a social perspective, our infrastructure projects across the country have a significant bearing on the communities in the area and improved the standard of living of our stakeholders. Our work to empower these communities is due to Blue Ocean Group being an exemplary corporate citizen of Sri Lanka.







## WHY GOOD INTENTIONS ALONE ARE **NOT ENOUGH** **FOR SRI LANKA'S** FUTURE FOOD SECURITY

# THE **ILL-FATED** ROAD TOWARDS A TOXIN-FREE NATION

Organic agriculture could just be the absolute embodiment of political correctness. To say anything against it would be considered sacrilege. Even its most vocal critics who doubt organic agriculture's ability to produce high yields without chemical enhancements to feed an ever-growing population find it unable to hold a bold defense amid the inflated virtues of natural farming.

"We always say organic farming is good. No argument about that," says Prof. Buddhi Marambe of the Faculty of Agriculture at the University of Peradeniya, a prominent critic of the country's newfound toxin-free agricultural policy. "But remember, we also need to feed a nation."

Last year, President Maithripala Sirisena launched one of the most pivotal agricultural policies in recent history, the toxin-free nation programme. The initiative had one audacious objective: To cleanse the nation from chemicals used in agriculture. The previous year, the country became one of the first to ban the popular weedicide glyphosate for its supposed association with the spread of the chronic kidney disease in the North Central province, the heartland of the country's rice economy.

Chronic kidney disease sparked a national conversation on better environment-friendly farming practices. The government leveraged this idea as a moral justification to revamp the agricultural policy and implement more stringent controls on agrochemicals.

"If you have a suspicion, you should first ban it," says Asoka Abeygunawardana, chairman of the Strategic Enterprise Management Agency (SEMA), the government institution under the direct presidential purview that spearheads the policy. "Then do the trials and prove that it's not harmful." The government's approach towards toxins in agriculture underlies the idea of 'precautionary principal', which says that we should avoid any action that will create severe harm to the public until safety is established through clear evidence.

While the approach is seemingly progressive and something to rejoice in, some accuse that the policy is toying with the future sustainability of the nation's food security. Members of the Sri Lanka Organization of Agriculture professionals (SLOAP) have been critical of the toxin-free nation plan, citing it as a policy based on unscientific grounds led by political motivations. The sudden

glyphosate ban in particular was seen as a tipping point of the government's willingness to compromise scientific rigour in favour of emotional fervour. "I do not care whether glyphosate is in or out, my concern has always been the way it was banned," says Prof. Marambe, who is also an expert in weed science.

This is not the first time weedicides have come under scrutiny. Paraquat, the most widely used agro-chemical before glyphosate, was extremely toxic towards humans and contributed towards a spurt of farmer suicides. The government set up a committee to investigate the issue and recommended to phase out the use of paraquat over the next three years. Prof. Marambe, who was a part of the committee that banned paraquat, believes a similar scheme should have been ideally adopted, providing farmers and the industry time to adjust and seek alternatives without jeopardizing the entire agriculture sector.

Whether the glyphosate ban was based on scientific grounds is a debatable question. Many scientific studies conducted to find a plausible explanation for chronic kidney disease indicated a causal link with human exposure to agrochemicals among many other factors ranging

from malnutrition to high prevalence of calcium and chloride in the water, and alcohol and tobacco consumption. But multiple studies and agencies have offered contradictory conclusions miring the debate in controversy. So much so that the debate has become a cherry picking fanfare to suit arguments that favour either party.

Last year, in April, the cracks of this initial hypothesis started to emerge. The presidential task force on kidney disease, together with the World Health Organisation, held a three-day joint consultation to review scientific literature on the disease and recommend preventive action. This was a landmark event in the effort for finding the origins of the disease. The consortium brought together 54 experts from around the globe from clinicians to epidemiologists, toxicologists, agricultural scientists, nephrology experts and hydrologists. The alleged effect of agrochemicals as a probable cause of

Many are equating the toxin-free nation campaign as an eerie illustration of Lysenkoism. The harsh rhetoric has frustrated and alienated the local scientific community from participating in the policymaking process

the disease was at the top of the agenda to discuss. However, in the recommendation, the notion that agrochemicals played a major role in the spread of kidney disease was dispelled.

It has been long argued that agrochemical residue in the form of heavy metal chemicals like cadmium and arsenic have contaminated waterways, resulting in entering human biological systems. But the committee determined that the strength of evidence of such a case was inconclusive - meaning that the available studies were not conclusive to establish a causative link. The committee even regarded these areas as not a research priority for further investigation. For glyphosate, the committee acknowledged it as a toxic substance for human kidneys, but determined the strength of evidence once again as inconclusive to establish a causative link with the disease.

Just recently, a major investigation revealed that the WHO's international cancer research agency (ICRA), which

declared glyphosate a chemical that probably causes cancer in people, has omitted a significant research study that showed the chemical has no links with cancer. The withheld study was statistically well powered with a sample of 89,000 agricultural workers and families in the United States since the early 1990s. More importantly, it was also one of the handful of studies that examined real-life human exposure to glyphosate, whereas much of the scientific research ICRA analysed involved laboratory rodents.

Abeygunawardana's argument for the glyphosate ban is an illustration of the catchphrase 'better safe than sorry', which at first instance seems to have merit. After all, it's tempting not to vie for a public policy based on a principle that champions public safety as its first priority. But the rhetorical appeal of it is misleading and dangerous. For instance, pesticides are often used as a cause to exercise the precautionary principle; a ban

on a toxic chemicals can lead to substitutes and alternative practices that create

a much more harmful impact on the environment and society's well-being. Even in the advent of the glyphosate ban, there is nothing to say that the number of kidney patients in the future will diminish or the overall health of the nation would improve. The precautionary model creates precedence for offering simplistic solutions in the face of complex issues to maintain an elusive status quo. This creates a state of paralysis for scientific advancement in contentious areas of the environment like agriculture and energy.

Today, SEMA plays a crucial role in dictating the agricultural policy in the country. The agency was initially established to provide consultative services to improve efficiency in government institutions and key sectors of the economy. "When the president requested the agricultural ministry to formulate a plan to get rid of chemicals in the agriculture sector, the ministry said they cannot do that," says Abeygunawardana. "When

they say they are incapable of doing it, the president gives us the mandate to see whether this can be done or not."

Abeygunawardana is critical of the agriculture scientific community who warns that the toxin-free nation plan would lead to a national food crisis in the future. "How can they say that nature farming cannot compete with chemicals without doing pilot studies," he says. "They have to prove this is a failure. Until then, they are not experts."

The collusion of science and politics never ends well. Lysenkoism, a political movement that rejected genetics and science-based agriculture during the Stalinist era in Russia, provides an apt cautionary tale. Tofim Lysenko, a one-time horticulture hobbyist, was the ideologue of the initiative who spearheaded the movement based on his pseudo-scientific ideas. Chief among them was his deviation from Mendelian genetics at a time when the rest of the world adopted precise and careful manipulation of the genome to produce higher-yielding disease- and pest-resistant varieties. Lysenko's criticism of heredity and his peasant background fit the Marxist ideology, which led the communist rulers to make him the director of the institute of genetics at the nation's highest scientific research institution. Lysenko's pseudo-scientific doctrines pushed the nation towards famine and marked an era of repression of scientists who dared oppose his beliefs.

Many are equating the toxin-free nation campaign as an eerie illustration of Lysenkoism. The harsh rhetoric has frustrated and alienated the local scientific community from participating in the policymaking process. Scientists who voice concern against the toxin-free nation plan are immediately branded as agents of agrochemical companies. Any scientific study that shows opposing findings not in line with the government policy is concluded to be a product of collusion with agrochemical companies. While it's vital to acknowledge allegations against agrochem giants like Monsanto for meddling with scientific studies, the continuous ostracization of the scientific community will halt any advancement of agriculture putting the country's food security in serious jeopardy. ■

# Rowena Barrett:

## Culture shapes innovation and entrepreneurship

HOW CAN SRI LANKA UNLOCK THE IMMENSE OPPORTUNITIES FOR PEOPLE TO BE ENTREPRENEURIAL?

Professor Rowena Barrett is Head of the School of Management at the Queensland University of Technology's Business School. By researching people management, especially in smaller enterprises, in collaboration with government and industry, she looks to increase our comprehension of what needs to be done to improve performance. Rowena uses her research expertise to do things differently and find innovative solutions to people-oriented issues. Her contributions to research have been quite considerable, and she has broadly published her outcomes through a range of media. Her aim at QUT is to build an entrepreneurial ecosystem so students have the capability and confidence to choose how they can apply their knowledge and skills in the real world. She took time off from her busy schedule to visit Sri Lanka and address the CEO's forum on "Innovation and Entrepreneurship" at CASL.





■ **Could you give our readers an outline of what you said at the CEO's Forum on Innovation and Entrepreneurship?**

I wanted to talk about what entrepreneurship and innovation are, and then think about some possible characteristics of a country like Sri Lanka that might hinder or facilitate entrepreneurial behaviour. Innovation is not just about science and technology, but about creativity. In particular, a country's culture does make a difference. In a country like Sri Lanka, there are immense opportunities for people to be entrepreneurial. There is a great unmet need for products



**A startup weekend usually kicks off on a Friday afternoon, with a lot of the team working, networking, getting people to do a little ice-breaking and some pitching. People will come and pitch an idea, and try and get others to work with them.**

and services, and there are also parts of the country that are well developed and can share what they have with the rest of the world.

■ **Your mention of Hofstede's cultural dimensions for Sri Lanka proved rather controversial.**

Hofstede looked at five elements of culture and how countries differ, and mapped the culture of countries all around the world through a survey process - many surveys of individuals. The purpose of doing that was to try to

understand why things might happen in certain ways, why people behave in certain ways within organisations, and how one might need to vary the managerial and leadership levers in order to get action from individuals. So those Hofstede categories are quite controversial, without a doubt, but they are put there as this broad overview to try and explain why things happen. It attempts to explain a range of different elements of how people behave in society, but certainly many researchers connect that to how they behave in a business context.

■ **You talked about a digital disruption transformation due to the mobile phone and gig economy.**

Many organisations are extremely large and making a huge difference to the world. Look at a company like Uber; what is the key element in that business? It is the platform that connects supply and demand. It is also a platform that enables those lazy assets (cars) that were being used for other things to be a part of the market economy. Is Uber anything to do with taxis? No, it's not. It is about the data they are gathering. Using this data, they will create new business opportunities; it's not just about giving people jobs. What they are doing is interesting. There are questions about how there is an increasing concentration of power in certain companies and locations, but Uber is a model that can be replicated in other places. For example, I see PickMe is like that here.

■ **Countries like Japan, Korea and China have a large input of automation taking place in the productive process, whereas countries like Australia are outsourcing production to countries like China.**

Well, it could be innovation in a different way. I suppose you have to look at the cost of doing things. It is rather like saying 'the robots are going to take our jobs.' Well, they are not going to take many people's jobs where the cost is low, as the cost of bringing in robots and putting them to work is quite high. The problem in Australia is that it is a high-cost location, and when they can't afford to operate any longer, they outsource production to other low-cost locations.

■ **On the other hand, European countries like Germany and Sweden also have very high innovation in automation, and their labour costs are as high as in Australia and they are far less entrepreneurial or individualistic.**

Perhaps it is simply around that mindset that companies are open and willing to accept change and develop. There have been studies of innovation that suggest that firms that are not listed on the stock exchange, that have long-term and patient investment, may be family-oriented but are more likely to play for the long-term because they have the stability that enables them to do that. So perhaps there is a different attitude to long-term. There can also be an element of culture. For us, it is a history element.

There have been many things that hold us, as Australians, in place that haven't forced a need for change. In a country like Sri Lanka, there is a need for change. The country has changed through years of civil war. People need to do things differently. Whereas in Australia, it has been a very comfortable life. But as the world changes around us, it gets harder to maintain that stability. There are many entrepreneurs in Australia, and there have been for a long time. But among younger people, like our students in the university, I have never seen this interest in activity, and I've been operating in the sector for a long time.

■ **You mentioned having innovation without innovative technology. How does that work?**

We did a study about nine months ago looking at high-growth firms in Queensland and how they used technology and how technology impacted their high growth. A high-growth firm is one that grows at 20% per annum for at least three years. Not many of them exist, but there are some. All such firms used technology in various ways. The most technology used by one high-growth firm was point-of-sale software that told them what their inventory was and how much product had moved through their store.

Other firms used technology simply to collaborate and connect with their customers. These were sophisticated technology, but they only used it to connect with their customers, collaborate across

the firm and have access to real-time data that enabled them to take decisions easily. Most of them had the customer at the centre of everything they did. How would this affect the customer? How will we be able to service the customer better? How can we offer something different to the customer?

I wear a sensor that is connected to my insulin pump. It is incredibly sophisticated. It is the most sophisticated version of the pump and sensor technology that exists at the moment. But the company is hopeless. When I talk to them, I get frustrated. They have all my data, but they don't communicate with me. For many organisations to be successful, it is about the little things.

■ **You spoke about startup weekends boosting innovation.**

A startup weekend usually kicks off on a Friday afternoon, with a lot of the team working, networking, getting people to do a little ice-breaking and some pitching. People will come and pitch an idea, and try and get others to work with them. So, they try to create teams and work on the idea over the weekend, do some market testing, primary market research, identify the value in this idea or problem that is being solved, what the market should look like, etc. At the end of the weekend, they pitch it to a panel of entrepreneurs, business owners or venture capitalists. It's a way of rapid team formation, working together, coming up with an idea. No one, at the end of 54 hours, is going to have a fully functioning, fully fledged business, but they have got enough. So we see people who come up through startup weekends doing some additional work on their idea. They may end up in an accelerator programme or working out of a co-working space before they head off into the world.

■ **In order to get that mindset, what can the government do?**

We work quite closely in Queensland with our state government, and they are very keen through the Advance Queensland programme to support innovation and entrepreneurship; they do it in a range of different ways. There is a programme focused on young people, so

a lot of our university students apply for this programme funding, which supports activities for young people. The programme supports science and research, as well as entrepreneurs; there is also a business development fund to support entrepreneurs.

■ **As chartered accountants are moving away from being number crunchers to more strategic thinkers, what should they take into consideration?**

Chartered accountants will be among the most trusted advisers in a business. They have the capacity to be able to work with business owners and employers to think about the long-term, to comprehend the numbers and to understand how things might play out over time. But as that trusted adviser, it's a very special role to work with a company and help them shift their focus from just being successful today to being successful in the long-term. In that advisory function, chartered accountants will need to be like others in that they understand what is going on in the world around them, what other companies are doing, what can be learnt, being exposed to new thinking and what's happening in a market, and being able to connect with others who can help their goals.

An organisation like CA Sri Lanka can work particularly with universities and training providers. We find that those young minds are the ones that have so much possibility and potential to create new things. At this university, we have this book we have created called the 'Blue Book: Tips for Start-up Founders at QUT' that talks about different ways students can work together to pursue an entrepreneurial idea. It is organisations like CA Sri Lanka that can unlock opportunities for others, and people who have a wealth of experience and knowledge that they can share with others. It is that mixing of the new with the established that can make a huge difference. We are very grateful to work with chartered accountants around the Blue Shift programme, with high school students. These kids are going to blow people away with their ideas. There is some networking and some mentoring from chartered accountants; beyond that, they create and carry forward the initial idea. ■

# Understanding **THE** **ACCOUNTANT'S** **ROLE** in corporate governance

In today's world, accountants are the gatekeepers of governance and financial reporting. Rather than being number crunchers, the role of an accountant has developed into becoming critical in making business decisions on the management of organisations. By more effectively communicating corporate governance structures from the top down, organisations can facilitate more accurate and ethical information.

Recognised as the torchbearers of the accounting and auditing profession in Sri Lanka, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) recently launched the revised Code of Best Practice on Corporate Governance. Present at the event were Professor Barry J. Cooper – Associate Dean (Regional Engagement) and Professor of Accounting at Deakin Business School, Deakin University, Melbourne, and Professor Gishan Dissanaïke – a financial economist, Director of Studies for Management Studies at Trinity College, Cambridge, and a Fellow of Hughes Hall – who further elaborated on the importance of companies adopting corporate governance best practices.

Excerpts from the interview are as follows:

#### **What is corporate governance?**

**Professor Barry J. Cooper:** There are various definitions, but it's really about a system of control over organisations and mobilization. I am tempted to use the definition on Wikipedia, which says 'corporate governance is the mechanisms, processes and relations by which corporations are controlled and directed.'

**Professor Gishan Dissanaïke:** It's also the kind of field where you don't get fierce debates on what the definition is. Almost everyone knows that it can mean different things to different people.

#### **There are various models of corporate governance in different countries. The German model has two boards, and the British one is Anglo. What is the Sri Lankan model?**

**Cooper:** The Sri Lankan one is different from both the British and American models. When I look at the code of best practice, it's not really that different from the code of best practice of Australia. There is a lot of commonalities because of the common law system.

#### **Would you agree that the purpose of corporate governance is to increase shareholder value?**

**Cooper:** That is one reason, but there are others. It's also a form of social contract to operate, so good ethical behaviour and corporate governance should be a part of that contract. There are so many examples where the social contract wasn't met and there has



been bad corporate governance where shareholders had lost a lot of money, in particular in the US and Australia, or where money was invested back in the company, but because of bad corporate governance, the companies went bankrupt and all employees lost their pensions. So it's much broader than that.

**Dissanaike:** Some people would believe in the primacy of shareholders. A significant portion of those involved in corporate governance might subscribe to that notion. There is also a stakeholder perspective when you think of the other constituents as well. My own view is somewhere in-between; I believe that stock markets should ideally adopt a long-term perspective, and the moment you take a long-term perspective, there is no longer any divergence between the different approaches. If you are looking at a long-term perspective, there's no problem because you have to think of the employees and the environment.

**Cooper:** But, in fact, maybe CEOs in particular because they are so fixed on the share price. Because of the remuneration policy, they are fixed on short-term gain and don't consider the long-term view.

**Dissanaike:** And markets are probably not very long term. That's a problem.

**I read somewhere that the reduction of corporate governance to maximise shareholder value has led to dramatic failures like the financial crisis. Could you explain that?**

**Cooper:** I wouldn't say reduction, but possibly a lack of shareholder value.

**Dissanaike:** I wouldn't call it reduction either. I would say, however, that unless we work on corporate governance, there will always be corporate scandals, because any system you create is a human-devised system. So it's not foolproof. Whether you have a mandatory or voluntary approach, there's going to be corporate scandals. It's about reducing the probability.

**Cooper:** In a lot of those cases, the scandals are not necessarily corporate collapses. In Australia, for example, the Commonwealth Bank of Australia has behaved very badly from a corporate governance point of view, allowing money laundering to happen. In Australia, a lot of people who have taken advice from financial planners lost their money or were defrauded. The level of confidence in corporate governance in Australian banks is at a pretty bad level. The Royal Commission is a very powerful legal authority that can take a lot of evidence.

**In what ways does corporate governance help organisations to function more effectively?**

**Cooper:** My view is that good ethics means good business. Bad ethics have been bad for business in Australia, especially with social media. You have to be careful because it can have a big impact on how companies are perceived. Companies now have to react instantly. Younger people nowadays are internet-savvy, and they



may think that this is not good enough. It's also to do with the disruption of business. If you look at the taxi industry, we didn't see Uber coming, and the impact of Airbnb on the accommodation market has been enormous. Organisations have to be very strategic about the way they operate, they have to be able to see the next big thing coming.

**Dissanaike:** Corporate governance is more than just compliance. If you have purely a compliance mindset, you start forgetting that businesses are out there to be vehicles of entrepreneurship, and we expect them to add value. So it's not just compliance, there are threats lurking around the corner. Sometimes, it's about the company doing its core business properly.

**Cooper:** Multinational companies operating in Australia never paid a cent in taxes, and now that has become an issue. We pay lots of taxes, but there are some big corporates, well-known household names, who don't pay anything.

**Dissanaike:** When that becomes known these days through social media, customers start complaining and companies have to watch out.

**Would you agree that social media helps keeps checks and balances?**

**Cooper:** The problem is that most corporate boards comprise old guys like me who aren't very savvy with social media. Which is why having younger people on the board, with those skills and a gender balance are important.



**Dissanaike:** Social media can be a forceful court, but it could also cause problems. These days you have a lot of fake news, so companies need to engage in correcting misinformation. Social media is not all good.

**What rewards does corporate governance reap for companies?**

**Cooper:** Good ethics is good corporate governance. So, if you have good corporate governance, you will manage the risks and be strategic about how you operate. You won't lose value through fraud and bad decisions.

**You mentioned financial performance. Do you think there's a strong link between the two?**

**Cooper:** Yes, there is a link. I think you can move a step forward and go to integrated reporting. You are not talking only about financial performance, but business model, KPIs and strategies. There are concerns over that because directors are worried about their legal liabilities. It's what's holding things back in Australia. A number of companies in Australia have adopted the full framework of integrated reporting. So, it's about the behaviour of multinationals in different countries being more open and transparent. Some countries have corrupt regimes, and in those countries, the companies are happy to be corrupt. For example, in China, if I needed to purchase some equipment, it would be natural to go to my brother's company, but in Australia, that's corruption. You have to be sensitive to the different cultures and so on. Sometimes, big companies take advantage of that.

**Dissanaike:** They are connected, but it's more complex. Some corporate governance measures may reduce the financial performance. But we look at

financial performance in the long run, and when that happens, many of these trade-offs go away.

**CA Sri Lanka portrays accountants as playing a bigger role, and not just number crunching anymore. How true is this?**

**Cooper:** Absolutely. A lot of number crunching is no longer done by accountants. It's all automated and the role of the accountant is much more about understanding the strategy, having the soft skills, teamwork and understanding the nature of the business. They order the business, so they have a big role to play.

**Dissanaike:** At the same time, within any firm, not all directors will be familiar with the figures. So accountants need to inform and explain them so informed decisions can be made. Directors sometimes bring skills, but they need to be made aware of the issues.

**Cooper:** Most companies have subcommittees to the board, such as the audit committee that is made up of people with a good understanding of the field. It's important that the board deals with these committees.

**When we do research on good governance, we come across the words 'socially responsible investment'. How does that tie into corporate governance?**

**Cooper:** If that is your strategy or philosophy, the rules of corporate governance do not change. Companies are much more aware of social investment. Some companies in Australia have investment funds that won't invest in certain companies. There are also massive innovation funds in Australia that come under different regulations.

**Dissanaike:** In the UK, many organisations and some universities have a 'Church of England' screening, where the Church of England was concerned about investing in certain places and so they devised certain criteria. Companies hope that if it's good for the Church of England, it's good for them.

**Talk to us about this code of ethics. What are its distinguishable features?**

**Cooper:** It's a code that has been refined. One of the major refinements is the emphasis on non-executive directors. In the past, there was an issue about owners being separate from shareholders. Managers sometimes look after their own interest because of short-term goals and appoint directors. The idea of non-executive directors are people who are not involved in the company whatsoever. They come from outside, and in a way, their role should be monitored by the CEO or the board to make sure the best interest of the company is served.

**Dissanaike:** Many of the codes that have been developed stress on the independence of non-executive members. This is important, but it's not the only criteria. Lessons from the recent financial crises are that knowledge of the industry and passion matter as well. ■



**Make Your Dream Home**

**Become A Reality**



**The pioneer in Housing Loans,  
National Savings Bank offers  
efficient loan services for**

- Property Purchase
- Building a House
- Buying a House
- Buy an Apartment from a Condominium
- House Renovation
- Garden Landscaping
- Settlement of an Existing Loan
- Installing Solar Panels

**Visit your nearest *NSB* branch today.**

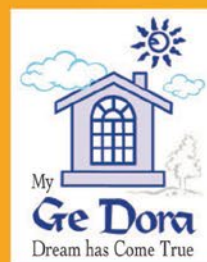


Fitch Rating: AAA{Ika}  
100% Government Guaranteed



- ▶ **Attractive interest rates**
- ▶ **Convenient documentation service**
- ▶ **Efficient service and islandwide branch network**

**Get Your Loan** *Just Within*  
**24 hours** ✓



Call Centre: 0112 379 379  
Web - [www.nsb.lk](http://www.nsb.lk)

**National Savings Bank, The Safest Place for Your Money**





# CA SRI LANKA PRESIDENT

# Jagath Perera's Vision

---

CA SRI LANKA'S PRESIDENT SAYS  
UPDATING ARCHAIC LAWS, UPGRADING  
SKILLS AND UPHOLDING STANDARDS WILL  
PREPARE THE PROFESSION FOR THE NEXT  
STAGE OF DEVELOPMENT IN SRI LANKA

**CA Sri Lanka's** incumbent President Jagath Perera, Partner at KPMG Sri Lanka, outlines the vision that will make the country's accounting profession stand out in a fast-changing competitive world. Upholding standards and improving the quality of work are at the core of the institute's goals. Education and professional development are as critically important, while inculcating leadership skills and a culture of entrepreneurship is high on Perera's agenda.

Globally, the accounting profession is breaking away from the traditional, stereotypical financial reporting role. In fact, markets demand this shift, and technology is driving it. Perera believes a developing Sri Lanka will open many opportunities for the profession, which is why CA Sri Lanka is making it a priority to prepare its members and students for it.



Excerpts from the interview are as follows:

## VISION

We have set several goals for the institute to achieve, and these fall into three broad areas: First, is upholding standards and improving the quality of accounting and auditing work; the second area is achieving excellence in education and professional development. Enhancing leadership and entrepreneurship skills is the third. Underlying these three broad objectives are several outcomes we will have to achieve, which means a lot of hardwork. But I'm fortunate to be a part of a passionate team and dedicated membership, so achieving our goals will be a pleasant, exciting and rewarding experience.

Let me briefly outline our goals and objectives starting with upholding standards. We're looking at several initiatives in this area.

## PROFESSIONAL COLLABORATION

First, I like to see professional accounting bodies working for a common cause. In Sri Lanka, there are three professional accounting bodies. CA Sri Lanka is the oldest and the leading accounting body in the country. Then, we have CMA, with its core discipline management accounting arm, and AAT for accounting technicians. The objective of all three institutions is to uphold the standards of accountancy. This is our common ground, although we approach the discipline from different ends. It's critical that the three accounting bodies work together and have one voice on professional matters. This is an initiative CA Sri Lanka will drive and support, and I am confident we will succeed.

## PREVAILING LAWS

CA Sri Lanka's own Act of Incorporation is almost 60 years old. We have to consider the nature of adjustments and changes required to keep up with the rest of the world and better serve the emerging needs of a developing Sri Lanka. An appropriate update of the Act will be an important objective for us.

Accounting practices fall under a partnerships act which was enacted more than 125 years ago in 1890. We must update this law to include the different types of partnerships that have since emerged in other parts of the world like limited liability partnerships, or LLPs, and multidisciplinary partnerships. It is important for us to prompt legislators to update the partnership law.

## EMPOWERING MEMBERS

The third area under upholding standards is empowering practicing members of the institute. Practicing

**CA SRI LANKA MEMBERS AND STUDENTS MUST BECOME MORE ENTREPRENEURIAL. SRI LANKA HAS TOO MANY EMPLOYEES AND ONLY A FEW EMPLOYERS. THE INSTITUTE MUST EMPOWER MEMBERS AND TRAIN ITS STUDENTS TO BECOME ENTREPRENEURS, SO THEY ARE THE ONES WHO COULD CREATE JOBS. IT'S NOT A SKILL THAT CAN BE TAUGHT IN THE CLASSROOM, BUT THERE ARE WAYS IT CAN BE INCULCATED, AND THIS IS AN AREA WE ARE KEEN TO EXPLORE OVER THE NEXT FEW YEARS. WE MUST MOTIVATE OUR STUDENTS AND PREPARE THEM FOR SENIOR MANAGEMENT ROLES IN THE INDUSTRY.**



members are a very important community within the profession and society because of the critical role they perform as auditors. Because of auditors, shareholders and other stakeholders have a clear view of an organisation's financial health. On the other hand, due to the same reason, the management and custodians of an organisation tend to develop more transparent governance structures. From a small business to a large corporate and even a state enterprise, an auditor is a watchdog guarding against breaches in public trust on which the foundation of any economy is built. This is why the auditor's report is absolutely critical, and this is an area CA Sri Lanka will pay special attention to in order to enhance the quality and consistency of audit work.

We need to keep up with changing technology and update ourselves with global developments that impact the profession. In this regard, the institute will play an awareness-building role.

### KNOWLEDGE AND SKILLS

The second objective is achieving excellence in education and professional development. The professional qualification of CA Sri Lanka is benchmarked with the UK's National Academic Recognition Information Centre. Accordingly, ACA is benchmarked as RQF 7, which is equivalent to a Master's Degree in the UK. That's a great achievement for the institute achieved under the previous President Lasantha Wickremasinghe.

Now, we need to take that forward. We have to establish mutual recognition agreements with other professional bodies so our students can enjoy additional exemptions and global recognition. We need to engage top-ranking universities in the world so our students can proceed to a Master's Degree or even a PhD after gaining CA Sri Lanka's ACA qualification. We need to open all avenues because this is an opportunity for our members and students to gain a global qualification with a local brand. We need to get a global passport for our members.

### ACCOUNTANTS = ENTREPRENEURS

Developing soft skills of our students is critical and a lot will be done in this regard. We will develop a new curricular for 2025 that will take into account the accelerating speed in which technology and global regulations are changing. Soon, they will be expected to have a deep understanding of industries, laws and regulations and even software. We may require to bring these concepts into CA Sri Lanka's syllabus so our students are prepared with the right competencies and skills for the future. This brings me to the third objective: enhancing leadership and entrepreneurship skills.

CA Sri Lanka members and students must become more entrepreneurial. Sri Lanka has too many em-

ployees and only a few employers. The institute must empower its members and train its students to become entrepreneurs, so they are the ones who could create jobs. It's not a skill that can be taught in the classroom, but there are ways it can be inculcated, and this is an area we are keen to explore over the next few years. We must motivate our students and prepare them for senior management roles in the industry.

### STANDOUT PROFESSION

We experience an economic growth of 4-5 percent annually, and of course one needs to expect certain hiccups. With the Colombo International Financial Centre, there will be lots of opportunities for the profession. As Sri Lanka continues to open up to the outside world, we need to ensure that our professionals are world class, so that we can thrive in the competition. Our profession needs to stand out. This is why it's so important to keep abreast with global developments, embrace technology and sharpen professional skills. Risk management is an emerging discipline that can open many doors. This is why it's so critical to realise our objectives around education and professional development, and leadership and entrepreneurship.

### TARGET GROWTH

Legislatively or constitutionally, Sri Lanka has done a lot. Without dwelling on those changes, we now need to focus on the economy and delivering growth of about 10 percent if we are to realise the aspirations of the people of this country. Our per capita income today is around \$4,000, and we should set a target to reach \$12,000 and have a comprehensive plan to take us there. This is what the country needs.

### CHANGE

The new Inland Revenue Act, Foreign Exchange Act, proposed SEC and audit bills, and other laws should take the country forward, attract investments and deepen capital markets. There are always grey areas and new challenges that may crop up, but these have to be dealt with in a rational manner. It is our duty as professionals to engage with legislators in a constructive manner.

No law is perfect, but they have to be implemented and enforced. As far as the profession is concerned, we must work with laws at hand and do our best to take the country forward. We must embrace change, good or bad, but our goal and focus should always be to the future. If we succeed in our goals, the profession will be in a position to positively contribute towards pushing Sri Lanka towards the next level of development; and this will be a rewarding outcome for all of us. ■

# 4 KEY STEPS for CFOs to instill integrated thinking and reporting

by Laura Leka , Technical Manager, Global Accountancy Profession Support, IFAC and Stathis Gould, Head of Professional Accountants in Business and Integrated Reporting, IFAC



Chief Financial Officers (CFOs) are natural leaders in integrated reporting, and embracing this gives them the opportunity to shine as “changemakers” in their organisations, where they inspire new thinking and understanding of value creation. This is according to a new publication, ‘Creating Value - CFO Leadership in <IR>’, published by the International Integrated Reporting Council, in collaboration with IFAC.

Indeed, finance professionals are well positioned to take integrated reporting to the next level. As CFOs and finance leaders increasingly evolve into business partners and organisational integrators and navigators, integrated thinking and

reporting provides a unique way and additional incentive for CFOs and their finance teams to focus on the information and decisions that matter to the organisation and its success.

CFOs increasingly have an organisation-wide perspective in their roles, as well as responsibilities that extend beyond financial management and reporting (e.g. risk management, business development and corporate strategy).

With direct access to the governing board and executive management team, along with credibility through their trusted reputation, skills and professionalism, CFOs are uniquely positioned to play a leading role in the transition to integrated reporting.

#### **Four key actions CFOs and their finance teams can consider to enable integrated reporting in their organisations:**

**1. Secure commitment to integrated reporting and thinking from business leaders:** Top-down support from the governing board and executive management can be crucial to successfully implementing integrated reporting and thinking in an organisation. CFOs can use their influential position to help change mindsets and support business leaders in recognizing that, through integrated reporting and thinking, the organisation can better understand how it creates value over time, and the significant (internal and external) factors that affect its ability to do so. The board and management need to be actively engaged at the start and throughout the integrated reporting process in order to provide important and effective oversight at all stages, from identifying material matters to reporting, to the preparation process and approving the final report.

**2. Create a structured and multi-disciplinary implementation approach that has wide support:** Integrated reporting requires the involvement of various functions and departments across an organisation, including finance, strategy, sustainability, investor relations, operations and human resources. Such a multi-disciplinary team requires strong direction and a champion to help coordinate efforts, connect the functions and break down silos. It is important that all departments or functions have a common understanding of how the organisation creates value, as well as their respective contributions towards shared organisational objectives.

**3. Assess internal capacity for integrated thinking and integrated decision making, and put in place the processes and systems that provide data to show how value is being created or destroyed:** Implementing integrated reporting requires an understanding of its fundamental concepts, such as the 6 capitals and the value creation process, and how these can be applied and embedded within the organisation's management processes. Incorporating a multi-capital perspective into decision making requires the capture and interpretation of reliable financial and operational data. CFOs can apply their experience with well-established processes, systems and controls over financial data to the development of wider information collection systems for non-financial data. In doing so, the CFO and finance function can enhance confidence in less-mature non-financial information. This is explored further in the recent article: Confidence in Non-Financial Information Next Frontier.

**4. Prepare the finance function to facilitate integrated thinking and reporting:** When the finance function embraces integrated reporting and adapts its activities

to support implementation, it sends a strong message to the rest of the organisation. Additional guidance is available: *Creating Value with Integrated Thinking: The Role of the Professional Accountant*, which includes five key areas that the finance function can actively support; connectivity; external value focus; integrated planning; effective governance and oversight; and integrated communications.

**CFOs who embrace integrated reporting and drive its implementation have an immense opportunity to impact their organisations, improve understanding of its drivers of value through a multi-capital lens and embed this into processes across the business. The result is more informed decision making, better managed risks and opportunities, and improved information to understand performance.**

Becoming the “changemaker” also helps a CFO enhance his or her role and reputation, and increase his or her profile, influence and status as the key value enabler in the organisation. ■



**Laura Leka** is a Technical Manager in IFAC's Global Accountancy Profession Support team, which promotes and supports the role of professional accountants in business. She was previously an audit manager for Grant Thornton, specializing in public sector assurance in the UK. She also spent a year on secondment to the International Integrated Reporting Council (IIRC), where she was responsible for managing their public sector and business network programmes. Laura is a qualified member of the Chartered Institute of Public Finance and Accountancy (CIPFA), and started her career with the Audit Commission.



**Stathis Gould** heads up the development of international services for professional accountants working in business and industry at IFAC. A key element of his work is developing thought leadership and guidance in support of finance professionals and their roles facilitating sustainable organisational performance. Before moving to IFAC, at the Chartered Institute of Management Accountants (CIMA), he was responsible for planning and overseeing a programme of policy and research. Prior to serving the accountancy profession, Gould worked in various roles in the private and public sectors in the UK.

(This article originally appeared on the IFAC Global Knowledge Gateway: [www.ifac.org/Gateway](http://www.ifac.org/Gateway). Visit the Gateway to find additional content on a variety of topics related to the accountancy profession. Copyright April 2018 by the International Federation of Accountants (IFAC). All rights reserved. Used with permission of IFAC. Contact [permissions@ifac.org](mailto:permissions@ifac.org) for permission to reproduce, store, or transmit this document.)



# TAX RE

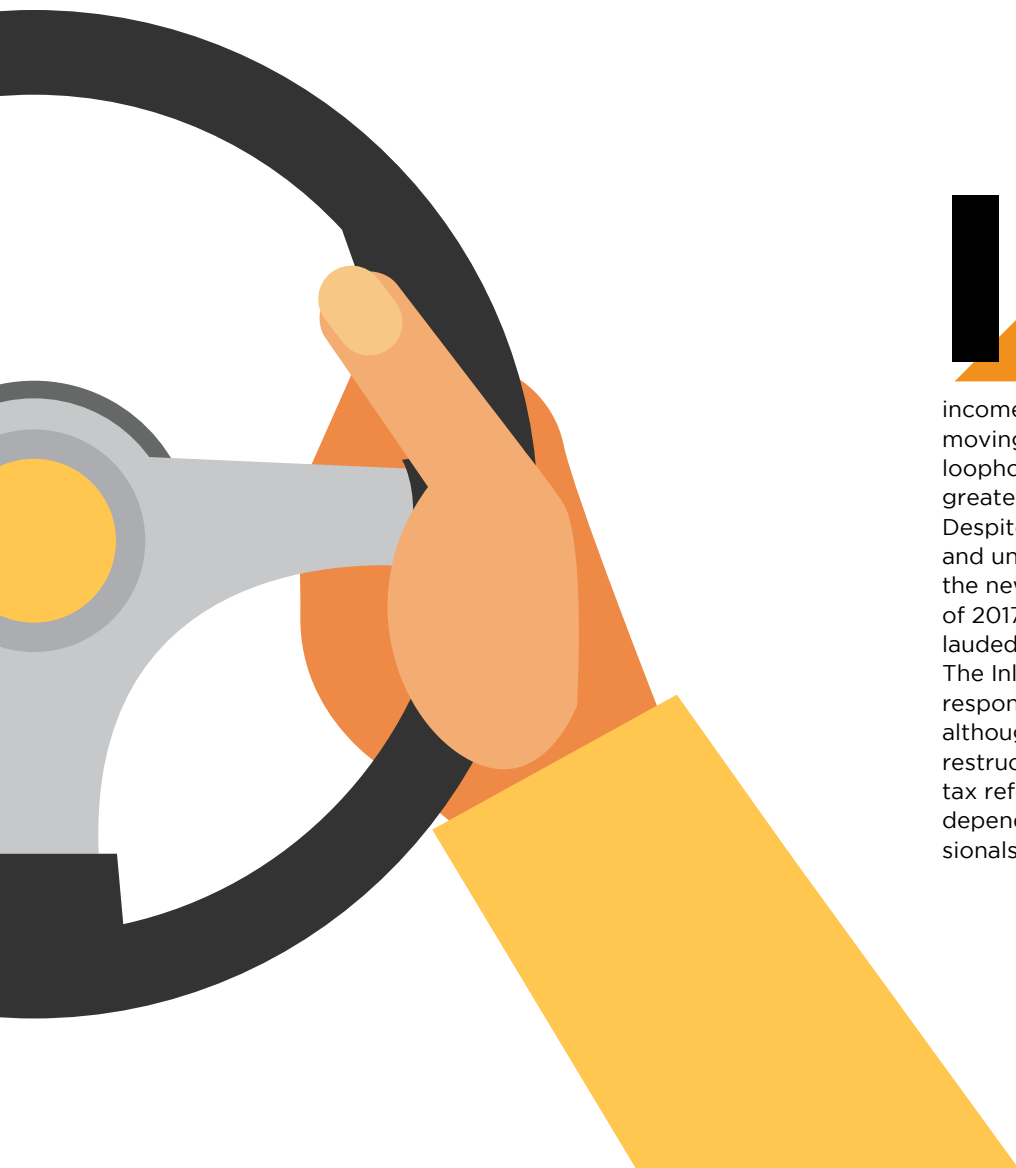
## accounting profession turn at the wheel

THE SUCCESS OF THE  
OVERHAULED TAX CODE  
TO BE IMPLEMENTED  
BY THE IRD WILL ALSO  
HINGE ON ACCOUNTING  
PROFESSIONALS



# FORMS:

## Professionals'



**I**t's now the accounting profession's turn to steer the tax reforms agenda. The government has pushed through difficult reforms to Sri Lanka's tax system. The income tax code was overhauled, removing ambiguities, complexities and loopholes and granting tax authorities greater powers to penalise evaders. Despite a turbulent drafting stage and uncertainty greeting its passage, the new Inland Revenue Act, No. 24 of 2017 (in effect since April 2018) is lauded for its clarity and simplicity. The Inland Revenue Department is responsible for its implementation, although the department needs restructuring. Success of the overall tax reforms agenda will now largely depend on how accounting professionals deal with the changes.

The new tax code promises to create a fairer system. It will also enable the country to fix the decades-long problem of declining income tax share of government revenue. Despite the positive outlook, the new income tax code presents some serious challenges that the accounting profession will have to face in a constructive manner. "Everyone can appreciate the fact that the new tax law is easier to understand and well structured. That's a good place to start," says Shamila Jayasekara, Partner - Tax and Regulatory at KPMG.

Figuring out the changes to income tax rates and to what, who and how they apply is certainly daunting, but it's a role accountants are trained for and expected to do as professionals. "There were frequent and significant changes to tax law in Sri Lanka, so we had to learn to adapt quickly. In that sense, the new tax law shouldn't be too daunting in terms of accepting change," Jayasekara says.

It is critical to quickly grasp how the new code impacts businesses. Processes will have to be designed and implemented so that firms manage their affairs efficiently to minimise compliance costs both in terms of allocating resources to file proper taxes - for example, new transfer pricing rules cover domestic related party transactions - and avoiding unnecessary disputes.

Inland Revenue has more influence and power under the new code. The department has the final say on tax avoidance measures, which are legal means of minimising tax liabilities. A company may choose to register a subsidiary because it makes business sense, but if there are tax savings, Inland Revenue may decide that this was the sole purpose of the subsidiary. Also, taxes must be paid in full before an assessment can even be appealed; this was not the case earlier. These are reasons for chief financial officers to be vigilant.



The new income tax code was widely panned when it was first mooted after the UNP-SLFP government took office in 2015. Late night political talk shows perpetuated misconceptions that the income tax law was being overhauled on the whims of the IMF

with draconian taxes. Nothing can be further from the truth.

An overhaul of the tax code was a long-felt need within the country: for the government, because income tax collections were too low, its share of revenue declining; and for businesses, which felt the code was too ambiguous, complex and penalised those already in the tax net.

In 2009, the government appointed a commission to recommend reforms to Sri Lanka's tax system, but

the political will to act on them was lacking until the UNP-SLFP government swept to power in a wave of optimism - fertile ground for difficult reforms.

The new code is a result of the government pushing ahead with reforms to simplify the tax system, eliminate widespread tax concessions and holidays, plug loopholes and give Inland Revenue more teeth to nab tax evaders. The private sector took part in the consultative process and formulation stages of the new code. The Ceylon Chamber of Commerce, for instance, had a team of top accounting and taxation experts lobbying for pro-business changes.

The government hopes to raise Rs60 billion in additional tax revenue annually under the new system. However, it also realises that the new code is useless without strengthening tax administration and widening the tax base to increase revenue.

Inland Revenue has been set targets to open 200 new files a month. Only 1.6 million people pay taxes. Direct taxes in Sri Lanka account for less than 20% of revenue, compared to 72% in Malaysia, 54% in India, 45% in South Korea and 32% in Bangladesh.

There are three reasons for Sri Lanka's low income tax collection. First, income tax evasion is widespread. Second, the old tax code had too many loopholes, making it easy to avoid taxes (without committing a criminal offence). Third, Sri Lanka's tax department is not an autonomous agency.

The 2009 Presidential Commission on Taxation made some unsurprising revelations. It was this commission that suggested overhauling the tax code and tightening administration. It found that less than a fifth of registered companies paid income taxes. Only half a million people had personal tax files and less than 4% of the working population paid PAYE taxes. These numbers by themselves don't point to tax evasion. Many small companies may have closed down or cannot deal with the complexities of tax returns, and many small businesses and individuals simply don't earn enough to qualify to pay taxes.

The Inland Revenue Department audits only three percent of tax files each year. It does not have the capacity to dig deeper into existing taxpayers let alone uncover the evaders outside the income tax base. Tax evaders are let off with a light sentence, made to pay one to two years' taxes and a penalty of Rs50,000.

The department is in early stage deployment of RAMIS (Revenue Administration Management Information System), which is linked to over 20 government agencies and will flag potential tax evaders even if they register assets like land, houses and vehicles in the names of relatives. It's not clear if RAMIS will leave an audit trail so that allegations of tax evasion can stick, but it will monitor officers and processes in Inland Revenue to prevent collusion with dodgy taxpayers on



the outside.

Ideally the tax reforms should have targeted Inland Revenue first.

Tax officials are known to collude with tax evaders. The 2009 tax commission found that many people in the tax office have access to tax files without supervisory approval. There is no record of who handles what, so files get misplaced or data manipulated. Good tax officials are demoralised with few career prospects and departments are underfunded - easy prey for tax evaders.



The new tax code has overhauled a law that's been around for several decades, and this alone is enough to cause apprehension. There is a collective repository of expertise around the old code and understanding of what made Inland Revenue tick.

There's voluminous case law on how judges ruled on various tax matters. None of this may be valid anymore.

Exacerbating this is the fact that officials at Inland Revenue are themselves in unfamiliar territory. To avoid unnecessary disputes, the IMF has requested a manual with clear explanations and guidelines on each section of the tax code in order to minimise ambiguities.

Also, transitional provisions were expected to be finalised before the new code became effective in April 2018. When this didn't happen, confidence declined. This shouldn't have happened. Fixing Sri Lanka's income tax problem will need all stakeholders working together.

The tone of the new act indicates that the government means business when it says income tax share of total revenue will be doubled from 20% to 40%. To this end, the era of sweeping tax concessions to attract investments has ended, there are stricter rules around tax avoidance and Inland Revenue will have more teeth to penalise offenders. Everyone understands the need to raise income tax collections, but those already paying taxes feel they may be the first to feel the sting.

Dealing with problems will require professional tact. Take the example of the life insurance industry. Just three out of 15 life insurance companies reported taxable profits each year. The rest were making use of a loophole to set off expenses related to the business and showing tax losses.

When the new tax code was being drafted, Inland Revenue changed the rules so that life insurers would end up paying as much as 80% of profits as tax. This sparked off frenzied lobbying that went nowhere, forcing the industry to appeal to the Supreme Court.

However, when life insurance bosses decided that they would not try to avoid paying taxes, an amicable settlement was reached with Inland Revenue. Life insurance companies will now pay 28% on profits like any other business. The change in attitude benefited both Inland Revenue and the industry and averted what could have been a prolonged dispute.

A country's tax code plays a crucial role in attracting investment and boosting productivity. This is why the World Bank's Ease of Doing Business index looks at taxation separately.

Georgia ranks 40th out of 189 countries in the 2016 World Bank index for ease of paying taxes. Ten years ago, it ranked 102nd when it rolled out its tax reforms programme. For Georgia, reducing the number of taxes and rates were secondary objectives. It started by introducing administrative reforms. The number of taxes at 22 in 2004 was reduced in stages to six by 2011, a

## ACCOUNTING PROFESSIONALS HAVE A CRITICAL ROLE TO PLAY IN FACILITATING A SMOOTH TRANSITION, BECAUSE IT WILL ADD VALUE TO THEIR BUSINESSES AND EVENTUALLY BENEFIT THE COUNTRY

20% VAT was reduced to 18%, and a corporate tax was brought down from 20% to 15%. Tax revenue doubled in seven years. Today, Sri Lanka ranks 158th, trailing 118 places behind Georgia.

Administrative reforms will bring stability to the new tax code and cut the cost of compliance. Uncertainty creates problems, and this is a big reason why people evade taxes. The new income tax code is intended to generate certainty and confidence. The government has promised not to tinker with the law for the next two years. Businesses will likely pay more taxes now, but it may be a small price to pay for stability.

Accounting professionals have a critical role to play in facilitating a smooth transition, because it will add value to their businesses and eventually benefit the country. "We have to start by telling clients that they need to pay taxes. We need to foster an attitude that's not averse to paying taxes," Jayasekara says. This could well be the profession's most significant contribution. ■

# WATCHES OF THE MONTH

Two watches that exude class via their simplicity and another two ideal for those who love complications, these are the four to watch out for...



## ORIS DIVERS SIXTY-FIVE

Watch manufacturer Oris jumps on the diving watches bandwagon that has taken the market by storm in the recent past with the Oris Divers Sixty-Five. With an in-house modified Selitta SW200 and a double AR-coated domed sapphire crystal, it dispels chunky dive watches with its

clean lines and minimalistic look. The only gripe is perhaps its old-school depth rating of a meager 100 metres, making it ideal for recreational use rather than as a professional dive watch. 01 733 7707 4064-07 4 20 18; (LKR195,000); Wimaladharm Brothers

## CASIO G-SHOCK MTG-S1000BD

Ideal for any jetsetter, the Casio G-Shock MTG-S1000BD is fitted with multi-band 6 atomic timekeeping and built with Triple G Resist, capable of weathering shock, vibration and centrifugal force. In addition, this model features a new Core Guard Structure and a watch frame with inner workings that reduce the chance of impact force reaching its module. The large resin dial ring also combines CASIO's original cutting technology and a new evaporation technology to make it ultra lightweight. MTG-S1000BD-1A; (LKR139,500); Blink Experience Center



## TISSOT PRC 200


While the complications are pretty standard on this timepiece – with a date window, seconds sub-dial, 30-minutes counter and 6-hour totalizer – the watch in itself has a clean look, making it easy to read, yet stylish. The chronograph seconds hand is in the shape of Tissot's 'T', which is a personalized touch, and a minimal tachymeter lies bordering the dial. This is the perfect starter watch if you are just stepping into the wonderful world of chronographs. T0554271705700; Rs143,000; W A De Silva



## SEVENFRIDAY M1/01

With a watch design inspired by turbines, the Swiss brand SevenFriday M1/01 is ideal for petrolheads accustomed to reading speedometers. The six-layered dial displays the hours, minutes and seconds via three rotating discs and is difficult to read until you get used to it. Although the timepiece has adopted the same generic SevenFriday 47mm x 47.6mm stainless steel case, it features a modified Japanese Miyota caliber 8215 automatic movement with a power reserve of about 45 hours. SF-M1/01; (LKR185,000); Blink Experience Center





# Caves of Mulu

The stunning caverns of Mulu in Malaysia's Sarawak District are an adventure-lover's dream destination

BY SRAVASTI GHOSH DASTIDAR

**B**eyond the bustling Malaysian mainland, ensconced in the intriguing equatorial rainforests of Borneo, are some of the most expansive caves in the world. The elaborate cave network lies within Malaysia's UNESCO World Heritage Site, Gunung Mulu, Sarawak's largest national park. The sandstone mountain of Mulu and its limestone karsts, rock pinnacles, cliffs and gorges belong to the Melinau formation, aged between 17 and 40 million years.

This remote access area can be reached by daily flights from Kuala Lumpur via Miri, Kuching and Kota Kinabalu. Till recently, the only ways to travel were by riverboat from Miri and then by longboat from Kuala Baram, or hiking through the ancient 'Head Hunter's Trail' from Limbang.

Sparsely populated and covered by a thick forest, Mulu is an explorer's paradise. It has limited mobile

connectivity and no banks. In case provisions run out, there is hardly anywhere to purchase these. Kiosks and eateries sell Malay food in some areas. A medical clinic aids the sick, and helicopters airlift seriously ill patients.

Besides the four show caves (Wind, Clearwater, Langs and Deer Caves), there are the Mulu summit climb, Pinnacles trail, the world's longest tree-based canopy walk (480m), Penan burial cave, other caves and an amphitheatre-like bat observatory. The largest natural chamber—Sarawak Chamber—in the Nasib Bagus Cave is big enough to house 40 Boeing 747s, without crowding. The caves teem with insects, snakes, lizards, tree frogs and butterflies. Although difficult to spot, the impenetrable forests are home to bearded pigs, macaques, gibbons, Borneo tarsiers, deer and Malaysian sun bears.





SCALLOPED  
WALLS  
AND CLEAR  
WATERS

A two-to -three night trip is good for the time-starved traveller who can lodge in the stilt-propped bungalows of Mulu Marriott Resort or Benarat Inn along the scenic Melinau River. Locals offer cheaper homestay facilities.

Tours can be booked at the park office. Advance bookings may be needed for the comparatively drier months of June to September, the peak season. Hiring a park guide is compulsory. Recently, a backpacker avoided hiring one to cut costs, got lost and was found in near-death conditions 12 days later.

Torches, raincoats, water bottles, trekking shoes, hats and Malaysian Ringgits are mandatory. Tour itineraries usually include snacks and lunches. Raised wooden planks throughout the hiking path, concrete steps and sensor lights in the caves make the long treks easier for tourists of all ages. As trees canopy most of the trail, the sunrays are partly blocked. However, high humidity can sap energy.

To avoid crowding, the show caves are not open all day. The Wind and Clearwater caves are toured in the mornings, and the Langs and Deer caves in the afternoons. The four caves can be covered in one day or over two days. The gates close at specified hours. Gatekeepers count footfall and to date no one has

had to spend the night in the caves.

The Morning Tour (8:30am) is along the Melinau River in a longboat, with a halt at the Batu Bangan village of the nomadic and eco-friendly Penans. The gentle Penans are the last remaining hunters and gatherers of Borneo. After World War II, missionaries have tried to settle them. They hunt with 'kelepu' (blowpipe) made of wood from Belian trees that can carry darts accurately over 3 metres. The poisonous, latex-tipped darts are made of sago palm. The long-house market sells handicrafts like uniquely designed handbags, charms, wooden ladles and blowpipes. The market is closed on Sundays. That is the entire shopping that Mulu offers.

### Wind Cave

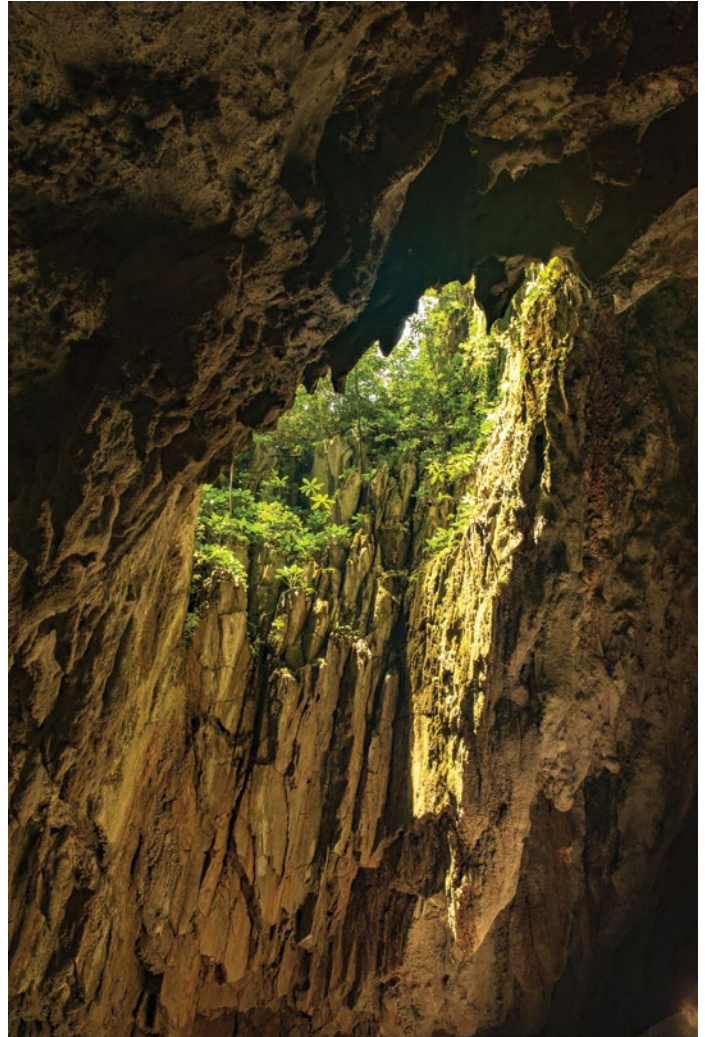
Over millions of years, water draining along the slopes of Gunung Mulu has cut deep gorges through its limestone rocks and formed intricate networks of caves. The water continually scallops the walls and changes the dimensions of the caves.

The Wind Cave is one of many. As the gentle breeze blows through the magical chambers of this cave, an imaginative mind finds resemblances to camels, birds, hands and Chinese gods among the



(TOP LEFT) HOW CLEAN AND GREEN IS MY WATER!

(TOP RIGHT) SKYLIGHT, WIND CAVE



stalagmites, stalactites and helictites. Touching these is strictly prohibited. Nature's work in progress is often evident, with water dripping from the stalactites on to the stalagmites. The roof and the floor sometimes touch each other to form mammoth pillars, as in the King's Chamber, a cavern with massive stones. The entrances and skylights ensure a steady stream of wind. This cave forms the southernmost entrance to the Clearwater Cave.

### Clearwater Cave

From the Wind Cave to the Clearwater Cave is a 250-step walk or a 5-minute boat ride. It is the longest interconnected cave system in the world by volume and the 8th longest (222km) cave in the world. Uncommon single-leafed pendulum plants welcome tourists at the entrance. The icy and crystal-clear waters of the mighty Clearwater River travel a subterranean route for over 170km, and emerge from a dense forest-covered cliff-face. The 'measureless' caverns and 'dancing rocks' of Coleridge's Kubla Khan come to mind.

Swimming is not permitted inside the cave. There is a sandy, refreshing swimming area just outside it, with a perfect picnic spot under giant trees.

The Afternoon Tour (2pm) coincides with the bat exodus at dusk. A 3km wooden walkway with

tropical shade, swamps and gurgling streams guide the traveller to the Langs and Deer caves. Caterpillars and millipedes often use the wooden railing as their walkway. Bats and swiftlets are common to both caves.

### Langs Cave

Named after its discoverer, Langs Cave is the smallest of the caverns, with decorative long shawls, rim-stone pools, stalactites and stalagmites. Shimmering webs spun by the threadworm larvae near the roofs are fascinating. Snakes also take shelter in the niches of the roofs.

### Deer Cave

100m away is the Deer Cave, with the world's largest cave passage. It derives its name from the sambar deer that ventures in to lick salt-bearing rocks. The main entrance to the cave is 146m wide. This impres-





(TOP) THE GIANT MOUTH OF THE DEER CAVE

(LEFT) PASSAGE OF THE DEER CAVE

sive cave is 4km long and 174m wide. The vaulting dome is 90-122m high. A peculiar rock formation near the entrance, resembling the profile of Abraham Lincoln, and an opening similar to a bear, attract attention. The once-raging river that had moved huge boulders is now a noisy trickle.

Over 2-3 million bats of 12 species inhabit the roof. They devour 30 tonnes of mosquitoes nocturnally! If the roof looks dense black due to the clinging bats, then the floor and railings look dark due to guano

(bat droppings), some of which may even drop into the mouth as one looks up in awe at the crescent ceiling. The guano is food for hosts of cockroaches and beetles jostling on the floor, as in the film *The Mummy*.

Outside the Deer Cave is the Bat Observatory, where one can view millions of bats exiting the cave in search of insects between 4pm and 6.30pm daily. They spiral out in hordes to avoid being prey to bat hawks waiting for them on the cliffs. Rains can spoil bat-watching plans, as it's difficult for bats to echolocate flying insects during this time. They unfailingly venture out on clear days.

The walk back to the park office in the dark, at around 7pm, is stimulating in torchlight amid the sounds of gushing mountainous rivers, croaking frogs, chirping crickets and zipping fireflies.



**ENROLL NOW FOR THE  
JULY 2018 INTAKE**

STUDY ONE OF  
AUSTRALIA'S BEST MBAs

# MASTER OF BUSINESS ADMINISTRATION



**UNIVERSITY  
OF SOUTHERN  
QUEENSLAND**  
AUSTRALIA

USQ's Master of Business Administration (MBA) has ranked 11th in the world for best online MBA and achieved a Tier One rating (CEO Magazine, 2018)

## Specialisations

- Finance
- Marketing
- Project Management
- Strategic Human Resource Management

## Entry requirements

- A degree or a professional qualification in English medium.
- Minimum 2 years' work experience in a related field

## Exemptions granted for

CA Sri Lanka members\*, CIM members\*, PG Diploma studies UK Edexcel Level 7\*

\* The above Qualifications should be obtained within the last ten years

**TO REGISTER CALL AFRAS ON 011 2352047 OR 0710 235 273**

## FOR MORE INFORMATION:

The Institute of Chartered Accountants of Sri Lanka,  
30A, Malalasekera Mawatha, Colombo 07, Sri Lanka

Tel: +94(0) 11 235 2000 Fax: +94(0) 11 2352060

E-mail: [mba@casrilanka.org](mailto:mba@casrilanka.org) Web: [www.casrilanka.com](http://www.casrilanka.com)



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA



CA



SCHOOL OF  
ACCOUNTING  
& BUSINESS

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

# ACCELERATE

## YOUR WAY TO THE BSc. APPLIED ACCOUNTING DEGREE

APPROVED BY THE  
UNIVERSITY GRANTS COMMISSION OF SRI LANKA

GRADUATES AT THE  
2017 CONVOCATION

**NEXT  
INTAKE  
SEPTEMBER  
2018**

**11<sup>th</sup>  
BATCH**

**AN EXCLUSIVE  
OFFER FOR  
CA MEMBERS**

**FOR MORE INFORMATION**

CALL US  
ON: **0710 235 263 | 0112 352 077**

[e sab@casrilanka.org](mailto:sab@casrilanka.org)

[f facebook.com/sabcasl](https://www.facebook.com/sabcasl)

[w www.casrilanka.com](http://www.casrilanka.com)

The Institute of Chartered Accountants of Sri Lanka  
30A, Malalasekara Mawatha, Colombo 7