

2014  
ANNUAL REPORT



CA



THE INSTITUTE OF  
CHARTERED ACCOUNTANTS  
OF SRI LANKA







ANNUAL REPORT  
2014

## About The Institute →

The Institute of Chartered Accountants of Sri Lanka was established by Act of Parliament No. 23 of 1959 for the purpose of promoting theory and practice of accountancy, enrolling, educating and training members and for preserving the professional independence of accountants, among other objectives. It comes under the purview of the Ministry of Co-operatives and Internal Trade.

The Institute is the authority for promulgating accounting and auditing standards of Sri Lanka. The Institute has a student population of 44,610 and a member population of 4,680. It is one of the largest tertiary education providers in Sri Lanka.

Over the years, the Institute has built valuable relationships with regional and international professional accounting bodies.

## Contents →

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### Preamble

About This Report - 04  
Vision, Mission, Objectives and Core Values - 06  
Highlights of the Year - 08

### Messages

President's Message - 10  
Secretary/CEO's Message - 14

### Review of the Year

Operating Environment - 19  
Operational Structure - 22  
Stakeholder Engagement - 23  
Financial Review - 28  
Upholding Standards - 30

### Stewardship

Past Presidents - 47  
The Council - 48  
Management Team - 50  
Governance - 52  
Report of the Governance and Audit Committee - 62  
Risk Management - 64

### Financial Reports

Responsibility Statement of the Management - 69  
The Report of the Auditor - 70  
Statement of Comprehensive Income - 71

Statement of Financial Position - 72  
Statement of Changes in Funds and Reserves - 74  
Statement of Cash Flows - 75

Notes to the Financial Statements - 77  
F B Lander Prize Fund - 129  
Cyril E Begbie Memorial Prize Fund - 130

### Annexes

Summary of Financials - 132  
Appreciation - 134  
Regional Knowledge Centres - 135  
Corporate Information - 135

The Institute of Chartered Accountants of Sri Lanka is by mandate, a 'sculptor' of professionals who enrich the landscape of the financial accounting sector, not just in Sri Lanka but in many countries around the globe. Our remit is to nurture and grow exemplary professionals who will contribute to vital strategic decision-making in areas far beyond the scope of finance.

In this endeavour the Institute is the pivotal institution ***of professionals...with its services fashioned and enacted by professionals...for the benefit of all.***

### **Rationale**

Readers will recall that we adopted a different format in our annual reporting for financial year 2013. Taking it forward and with a view to emphasise the fact that CA Sri Lanka is a professional body more than an educational services provider, this year's report is structured on the objectives of the Institute under which the value delivered to and value derived from the various stakeholders have been discussed in detail. It is an integrated account that describes the duality of our purpose, namely, deriving and delivering value that leads to internal and external capital formation in the economic, social and environmental context.

### **Objectives**

The main objectives of the Institute are:

1. Upholding standards in the Public Interest
2. Excellence in education and professional development
3. Leadership through ideas and influence
4. Delivering dynamic and proactive service

### **Stakeholders**

The primary stakeholders of the Institute are:

1. Students
2. Members
3. Government
4. Business partners
5. Employees
6. Society & environment

In the process, we have attempted to communicate the relationships and interconnections of the many aspects of our operations - such as strategy, governance, risk, performance and prospects - in creating value over time in the context of economic, social and environmental dimensions, since such an approach provides greater context for performance measurement and clarifies how financial and non-financial information fits into our operations.

### **Reporting**

Following the preamble and messages from the President and the Secretary/CEO, we begin our Review of the Year with a discussion on our business model. Our business model is underpinned by CA Sri Lanka's strategic purposes in the context of the operating environment. This then leads to a management discussion on value creation - for whom, why and when. We then discuss stewardship and move on to financial reports that provide the details. The rest are caught up in Annexes and our website. We trust you will enjoy the read.

### **Compliance**

The CA Sri Lanka Annual Report 2014 covers the 12-month period 1st January to 31st December 2014, and is consistent with our usual annual reporting cycle.

Thus, the information contained in this report, as in the past, is in compliance with all applicable laws, regulations and standards as well as guidelines for voluntary disclosures.

### **Inquiries**

We welcome your comments or inquiries on this report. You may contact us by mail or email as follows:

Mail:

Secretary/Chief Executive Officer  
The Institute of Chartered Accountants of Sri Lanka  
No. 30A, Malalasekera Mawatha  
Colombo 7  
Sri Lanka

Email: [secretariat@casrilanka.org](mailto:secretariat@casrilanka.org)

# VISION

To demonstrate and be known for exemplifying the highest standards in business and society

# MISSION

To be the most sought after qualification for business leaders

# OBJECTIVES

- Upholding standards in the Public Interest
- Excellence in education and professional development
- Leadership through ideas and influence
- Delivering dynamic and proactive service

# CORE VALUES

Integrity + Wisdom + Innovation + Service

# Highlights of the Year →

## → Highlights of the Year - 08

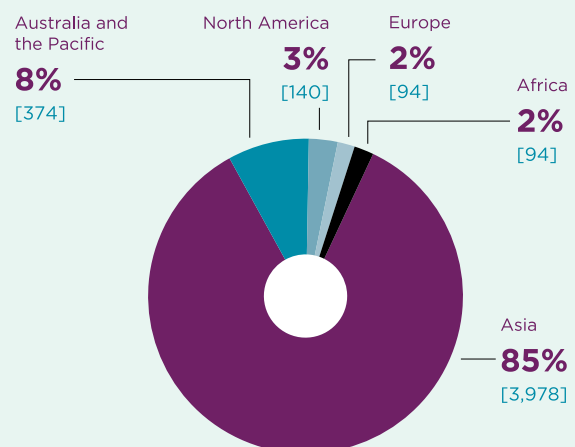
President's Message - 10  
 Secretary/CEO's Message - 14  
 Review of the Year - 18  
 Stewardship - 46  
 Financial Reports - 68  
 Annexes - 131

| For the Year ended 31st December                   | 2014      | 2013      | Growth % |
|--|-----------|-----------|----------|
| <b>Members:</b>                                    |           |           |          |
| No. of members                                     | 4,680     | 4,396     | 6        |
| Ratio of resident and non-resident members (%)     | 80 : 20   | 78 : 22   |          |
| Ratio of practicing and non-practicing members (%) | 12 : 88   | 14 : 86   |          |
| Membership retention rate (%)                      | 99.6      | 99.7      |          |
| No. of new admissions                              | 281       | 244       | 15       |
| Income from members (Rs. '000)                     | 84,049    | 70,682    | 19       |
| <b>Students:</b>                                   |           |           |          |
| No. of Students                                    | 44,610    | 44,007    | 1        |
| Studentship renewal rate (%)                       | 80.2      | 83.3      |          |
| No. of new enrolments*                             | 9,331     | 12,008    | (22)     |
| Income from Students (Rs. '000)                    | 620,450   | 548,793   | 13       |
| Value of scholarships (Rs. '000)                   | 7,368     | 5,387     | 37       |
| <b>Financial Performance:</b>                      |           |           |          |
| Total Income (Rs. '000)                            | 762,775   | 653,545   | 17       |
| Surplus (Rs. '000)                                 | 104,513   | 104,084   | 0.4      |
| Total Assets (Rs. '000)                            | 1,160,410 | 1,050,274 | 10       |
| <b>Other:</b>                                      |           |           |          |
| No. of applications for Annual Report Awards       | 130       | 126       | 3        |

\*The Institute registered 9,331 students out of 11,007 new applicant during the year under review, owing to the delay in releasing of the GCE Advanced Level Examination results in 2014.

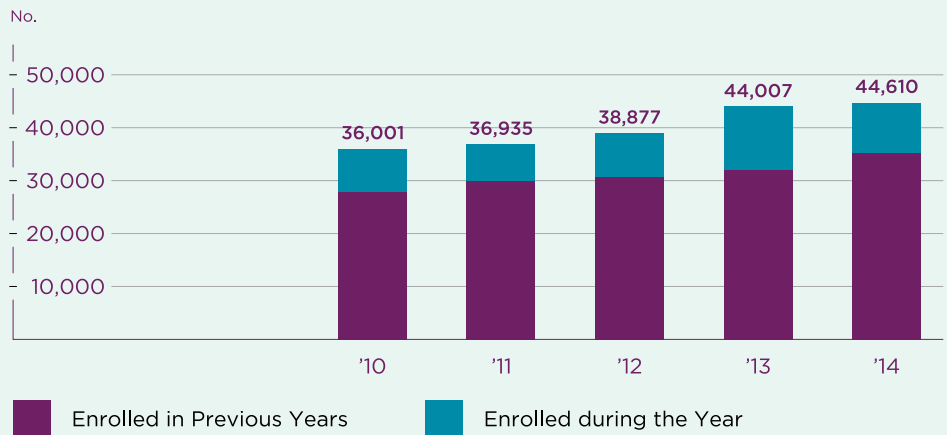
### Geographical Distribution of Members

80% of the member population of the Institute is resident in Sri Lanka and the balance 20% non-resident members are spread across around the globe.



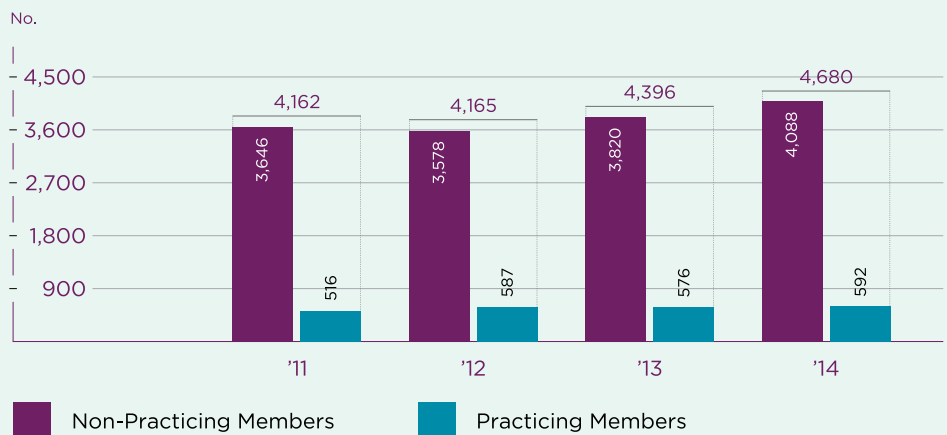
### Student Population Growth

Net growth in student population during the year was 603 taking the total to 44,610 as at 31st December 2014.



### Membership Growth

A record number of 381 new admissions during the year increased the total member population to 4,680 as at 31st December 2014.



### Other Highlights/Events

- CA Sri Lanka launched a ground-breaking new curriculum in March which aims to produce visionary chartered accountants for 2020 and beyond who will partner businesses with their financial leadership.
- CA Sri Lanka together with the Securities and Exchange Commission jointly launched the Corporate Directors Programme in May to help corporate directors enhance their existing competencies and gear themselves to grapple with new regulations and challenges.
- CA Sri Lanka hosted the Financial Reporting for Economic Development Conference in June, a first of a kind event in Asia, organized jointly by CAPA, World Bank and IFAC. The event brought together 150 high profile regulators, policy makers, business leaders, academics and professionals from Asia.
- The 35th National Conference of Chartered Accountants was held in October on the theme 'Rethink to Revive' attracted 1383 participants.
- The 50th Annual Report Awards competition grand finale was held in December on the theme 'Annual Report Awards Reaches Gold' with a record 130 applications vying for the prestigious corporate awards.



“As a professional institute dedicated to upholding the standards and ethics of the accounting and auditing profession, we have carried out several noteworthy initiatives during the year to promote transparency, accountability and good governance”.

**Dear Member,**

Globally, the demand for accounting talent is rising. This is due to the unique perspectives accountants bring to the table on corporate strategy, resource allocation, meeting increasing regulatory and compliance demands on enterprises, to name a few. We also witness a similar trend on the supply side too where the warm-blooded younger generation, despite their yearning for radical and complete change in age-old social, moral, ethical and economic norms are joining the queue in large numbers to qualify as accountants. At the same time, we see an upsurge in concern over the conduct of accounting professionals as well. These in turn have increased the demands on the profession. We have taken serious note of it all and also identified the challenges that are associated therewith when providing the institutional setting within which, accounting professionals are 'made' to work.

Let me give a snapshot of what we did in 2014 and what has been planned for the next few years in delivering on these expectations.

As a professional institute dedicated to upholding the standards and ethics of the accounting and auditing profession, we have carried out several noteworthy initiatives during the year to promote transparency, accountability and good governance.

In this regard, we continued to provide training on accounting standards to ensure that the members are conversant with these standards and that financial reporting is as per the standards and best practice. We also engaged in capacity building in terms of auditing standards and quality assurance. We ensured the Quality Assurance Board set up is well resourced and active to support firms to meet standards. We also ensure that the commercial sector adheres to proper corporate governance norms, and in this respect, we have in place the Code of Best Practice issued jointly with the Securities & Exchange Commission (SEC) and initiated a process to update the existing code. As a new initiative, we launched a corporate directors programme to ensure their understanding of corporate governance practices.

SMEs make a significant contribution to Sri Lanka's economy. It is therefore important that we ensure that the SMEs abide by the norms and best practices of financial reporting. Upholding standards in the public interest is one of four objectives that the Institute strives towards. In this context, we issued an exposure draft on a new accounting standard for Smaller Enterprises. This standard will facilitate the preparation of financial statements of small enterprises. This would make the preparation of the financial reports less onerous and also help improve the efficiency of audits.

As the public sector is an integral part of the economy, we are working closely with the Government to issue standards that will improve transparency, accountability and good governance. We have already issued ten public sector specific accounting standards and plans are afoot to issue five more in the near future. This will ensure that the public sector too adheres to internationally accepted financial reporting norms. During the year, we formulated a qualification for accounting professionals in the public sector and ceremonially launched it in February 2015. We have an alliance with The Chartered Institute of Public Finance and Accountants of UK, offering their qualification to accounting professionals in the public sector.

In an increasingly competitive job market, employers look for well-rounded individuals. As an institute that is constantly scanning the environment for opportunities and moulding professionals who are better prepared to face the challenges of the workplace, our new curriculum launched in 2014 focuses on developing IT skills and soft skills, besides academic excellence. We have adopted an e-learning approach which provides more flexibility for the students as well as the Institute.

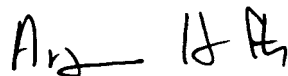
We now offer a degree programme that is recognised internationally which has attracted many foreign students. CA Sri Lanka has also collaborated with foreign universities such as La Trobe University in Australia.

We expect our members not only to maintain high standards by themselves but also to play a key role in helping their organisations too, to act ethically. In this regard, we have created an SLFRSs (Sri Lanka Accounting Standards) Service Desk and an ethics hotline which will assist our members to perform their duties more effectively. It is our concerted view that rules and regulations alone are not adequate to instill ethical behaviour. We believe that values should be ingrained and hence, have introduced ethics as a subject in our new curriculum. We believe that such measures will augment the ethical underpinnings of the profession and the capacity of our members to self-regulate, thereby avoiding any incidents of breakdowns in ethical behaviour.

Yet again, we have adopted an integrated approach to corporate reporting with this Annual Report 2014. To demonstrate our commitment to integrated thinking and reporting as an entity that engages in sustainable value creation, we will actively encourage corporates too to adopt integrated reporting as their corporate reporting norm and will continue to lead this initiative.

Having concluded yet another successful year, I would like to thank those who supported us in our endeavours. I wish to extend my gratitude to my fellow members of the Council and Committee members who held office during the year under review, Mr. Aruna Alwis, Secretary/CEO and all the staff members, members and students of CA Sri Lanka, our business partners in Sri Lanka and worldwide and the Ministry of Co-operatives and Internal Trade.

Lastly, I am confident that CA Sri Lanka will continue to deliver on its mandate and adapt and evolve to stay relevant and competitive for the times ahead.



**Arjuna Herath**  
President

25th March 2015  
Colombo





“We have created objectives that we believe will help the Institute continue to helm the accounting profession as we adapt and prosper in these changing times. To demonstrate our continued commitment, several initiatives were undertaken to ensure the progression of our members and students.”

**Dear Member,**

The role of the accounting profession has become exceedingly complex over time and having understood our mandate as the national accounting body in an era of immense competition and challenges, CA Sri Lanka has taken all possible steps to represent, promote and enhance the accounting profession and its professionals in ensuring they serve their duties diligently, while progressing in line with local changes and global trends.

As the torch bearers of the accountancy profession, we are mandated to represent, promote and enhance the profession in the interest of all the stakeholders. As in previous years, we continued to work towards our objectives to ensure that we uphold ourselves as the most respected and recognised accounting body in Sri Lanka. We have created objectives that we believe will help the Institute continue to helm the accounting profession as we adapt and prosper in these changing times. To demonstrate our continued commitment, several initiatives were undertaken to ensure the progression of our members and students.

The Annual Report Awards is a proud tradition of CA Sri Lanka that has tremendously helped improve reporting standards in the country. An annual report is a very important element in accounting, financial reporting and corporate governance. We have been very focused in recognising the corporates producing best annual reports that adhere good principles and best practices, which will allow to create a more responsible and accountable corporate world, while ensuring sustainable growth of not only the corporate entities but the country as a whole. In keeping with this important objective, we took great pride in celebrating the golden jubilee anniversary of the Annual Report Awards Competition in December 2014. In the years ahead, we will take every effort necessary to ensure this progressive event continues to improve reporting standards in the country.

It is at the very heart of our Institute to provide our students with an exceptional accounting qualification, which prepares them for the challenges of the workplace. We launched the new curriculum during the year, giving more emphasis towards partnering with business. We also collaborated with BPP, the leading publisher in professional education in order to develop our study packs to enhance quality. The new curriculum complies with international education standards of the International Federation of Accountants (IFAC). The curriculum was reviewed by the Institute of Chartered Accountants of England and Wales (ICAEW). The first exam under the new syllabus will be held in March 2015.

Continued Professional Development (CPD) programmes featured local and international guest speakers. Our annual conference was extremely successful and gave members the opportunity to update their knowledge on the latest developments and allowed them to network with their peers. We also provided members with an Audit Tool kit titled 'Small and Medium-Sized Entities Audit Manual' in an effort to help SMPs conduct high-quality cost effective audits enabling them to serve SMEs better and in turn the wider public interest.

Our members hold leading positions both locally and globally. We maintain our recognition and brand value by providing leadership and direction for professional change. Our members continue to serve locally in the boards of the Securities and Exchange Commission, Sri Lanka Accounting & Auditing Standards Monitoring Board (SLAASMB) and provide leadership from a regulatory perspective to the country. To complement our national role further, we also provide crucial insights into the preparation of the National Budget, by incorporating ideas and feedback from our members.

Internationally, our members served on IFAC in a few committees to extend our perspective and understanding of the region. Further, one of our past presidents served as the President of the Confederation of Asian and Pacific Accountants (CAPA) which is a regional body and our incumbent President was the Vice President of the South Asian Federation of Accountants (SAFA) and became President of SAFA in January 2015.

We also organised a regional conference with the World Bank, IFAC and the CAPA in 2014 attracting over 200 high profile participants from across the globe.

We pride ourselves on the standards of the services we provide to both students and members while continuously seeking ways to better serve their needs. With over 11,000 students enrolling annually, we had to take several initiatives to tackle the challenges it posed on our capacity. Hence, we have significantly improved the online service offering for our stakeholders, while also initiating a call centre to raise service standards and to better serve key stakeholders.

To further increase the student population of the Institute, we continued to carry out the 'Gurunena' and 'Sisunena' programmes to educate students and teachers on the latest developments in Auditing and Accounting Standards. In addition, they were educated on the new CA's curriculum. We also held promotional and educational programmes in schools during the Commerce Day. 'Tea with the CEO' was a new programme we initiated during the year under review where students got the opportunity to meet the former Governor of the Central Bank, who among other matters, laid emphasis on the importance of obtaining a professional qualification.

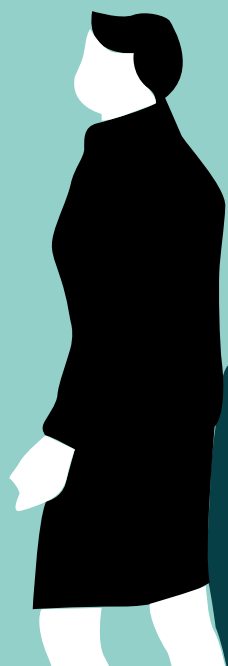
Going forward, we wish to further improve the services we offer our members and students and improve our curriculum to stay abreast of changes both locally and globally. In conclusion, I would like to thank Mr. Arjuna Herath, President, Council and Committee members for their continued guidance. I also extend my appreciation to all the staff members for their dedication and commitment and our members and students for their continued patronage.



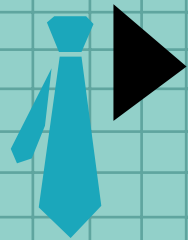
**Aruna Alwis**  
Secretary/Chief Executive Officer

25th March 2015  
Colombo

MEMBERS  
4,680



44,610



# REVIEW OF THE YEAR

The process of delivering value to and deriving value from CA Sri Lanka's various stakeholders during the year while achieving its objectives are discussed in this chapter.

Operating Environment - **19**

Operational Structure - **22**

Stakeholder Engagement - **23**

Financial Review - **28**

Upholding Standards - **30**

Excellence in Education and Professional Development - **34**

Leadership Through Ideas and Influence - **42**

Delivering Dynamic and Proactive Services - **44**

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) continued to forge ahead during the year under review as a leading professional body to improve professional standards, integrity, transparency and to enhance the engagement with its stakeholders in particular and of the society in general in achieving the objectives specified in the Act of Parliament, No. 23 of 1959 and the amendments thereto.

### **Operating Environment**

CA Sri Lanka was sensitive and responsive to its operating environment firstly to seize the opportunities it offered and secondly to address the challenges it posed, both with a view to optimise the value creation generated by the Institute to its stakeholders.

### **Regulatory Environment**

CA Sri Lanka derives its mandate as the sole authority for promulgating accounting and auditing standards in the country through the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. The Institute works in close collaboration with the Ministry of Co-operatives and Internal Trade. The Ministry nominates eight out of the sixteen members of the Council. We share strong links with the Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission (SEC), the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB), the Department of Inland Revenue and the Auditor General, who is also an ex-officio member of the CA Sri Lanka Council.

As always CA Sri Lanka displayed a high degree of transparency in all its initiatives and activities during the year. The audited financial statements, which has gone through intensive and extensive scrutiny of the Operational Review Committee, Audit Committee, External Auditor and finally the Council, were made available beyond our members and stakeholders to the entire society through publishing it in the Government Gazette.

### **Economic Environment**

CA Sri Lanka is the largest and the oldest accounting professional institution in the country that has produced over 5,800 Chartered Accountants. The Institute has established links and working relationships with other professional organisations within and outside the country. It has spread its wings across the whole economy covering both the public and private sectors. These partnership expansions created value for our stakeholders, society and to the economy. CA Sri Lanka worked with due sensitivity to the changes taking place in the economic environment both locally and internationally.

While the global economy was recovering from its recent financial crisis, the Sri Lankan economy joined the club of lower middle income economies. A professional body such as ours has greater responsibility and a challenge to ensure closure of avenues for leakages and pilferages and efficient use of

public funds through refined accounting and auditing standards. Being a part of the global economy, it is imperative that Sri Lanka keeps abreast with the latest developments relating to accounting and auditing standards in the rest of the world. Maintaining transparency and integrity is the bounding duty of a professional accounting body and its members and every effort was taken to ensure these objectives were upheld.

CA Sri Lanka served and influenced the economy as an independent professional body. We worked in enriching our role and responsibility towards a growing economy. We continued with education but intensified research and stakeholder consultations. While being at the top of professionalism we remained competitive, relevant and complementary to the economic environment.

### Social Environment

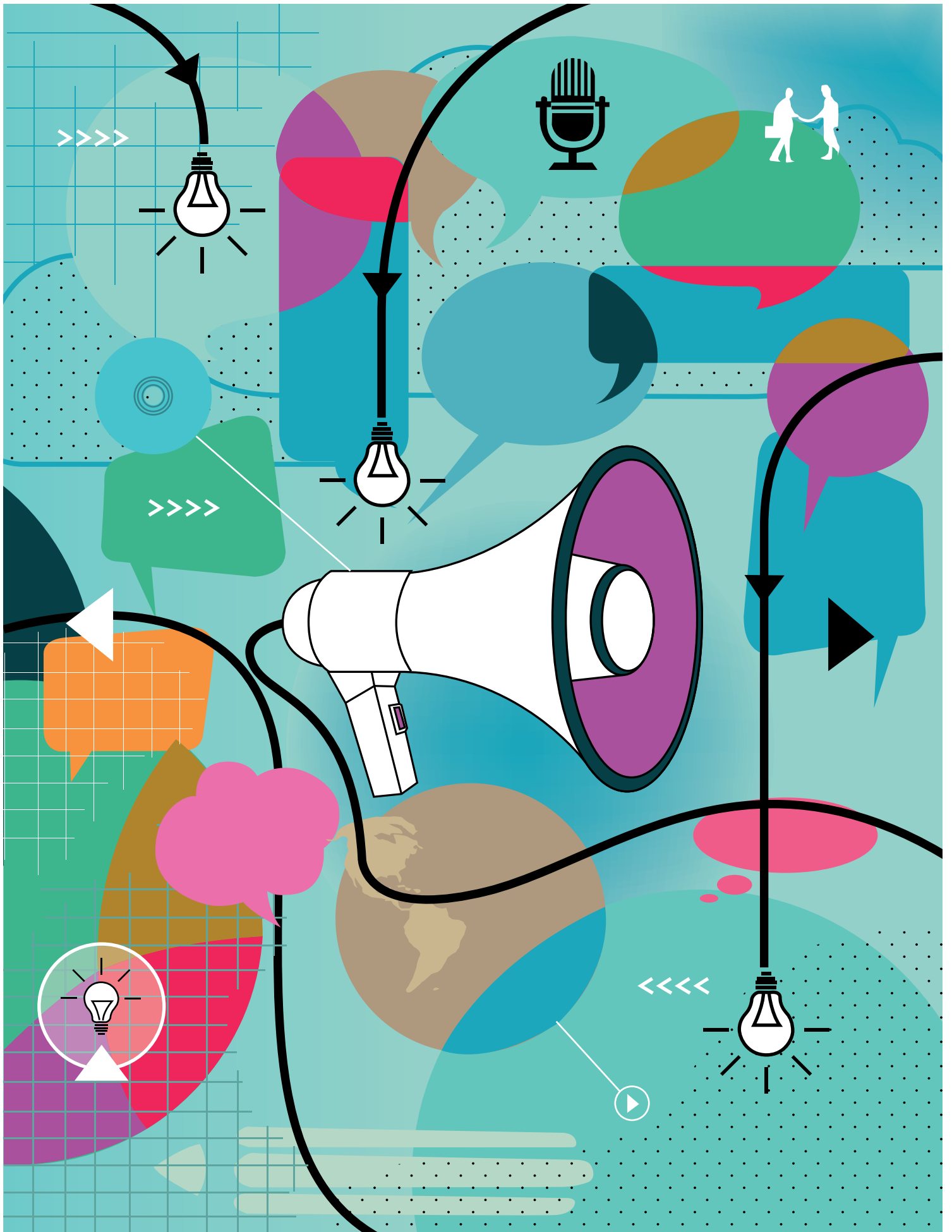
Since of late Sri Lankan society has undergone rapid changes accompanied by demographic changes. Internal migration increased the urban population; aging population composed over 35%; females overtook males. Improvements in transport and highway facilities made the population more mobile. Spread of mass media made people more vigilant and demanding. These changes along with the explosion of social media bear implications on income distribution, employment structure and gender considerations. A professional organisation cannot afford to be insensitive to such a rapid changing social environment.

The globalisation and the attendant trends taking place in the rest of the world have their impact and influence on the Sri Lankan society. Internet brought countries closer; at the same time it made societies closed. Facilities available for education and gaining knowledge have increased in many folds with Internet, private education and access to foreign universities. The role played by CA Sri Lanka as an education provider continued with its usual vigor. The need for professional handling of societal affairs has become urgent and prominent. CA Sri Lanka adopted itself progressively to play the role of a very active professional body during the year in response to rapid changes that took place in the social environment. CA Sri Lanka stood up to the challenges posed by the changing social environment and was quick to seize the opportunities created by such changes.

### Technological Environment

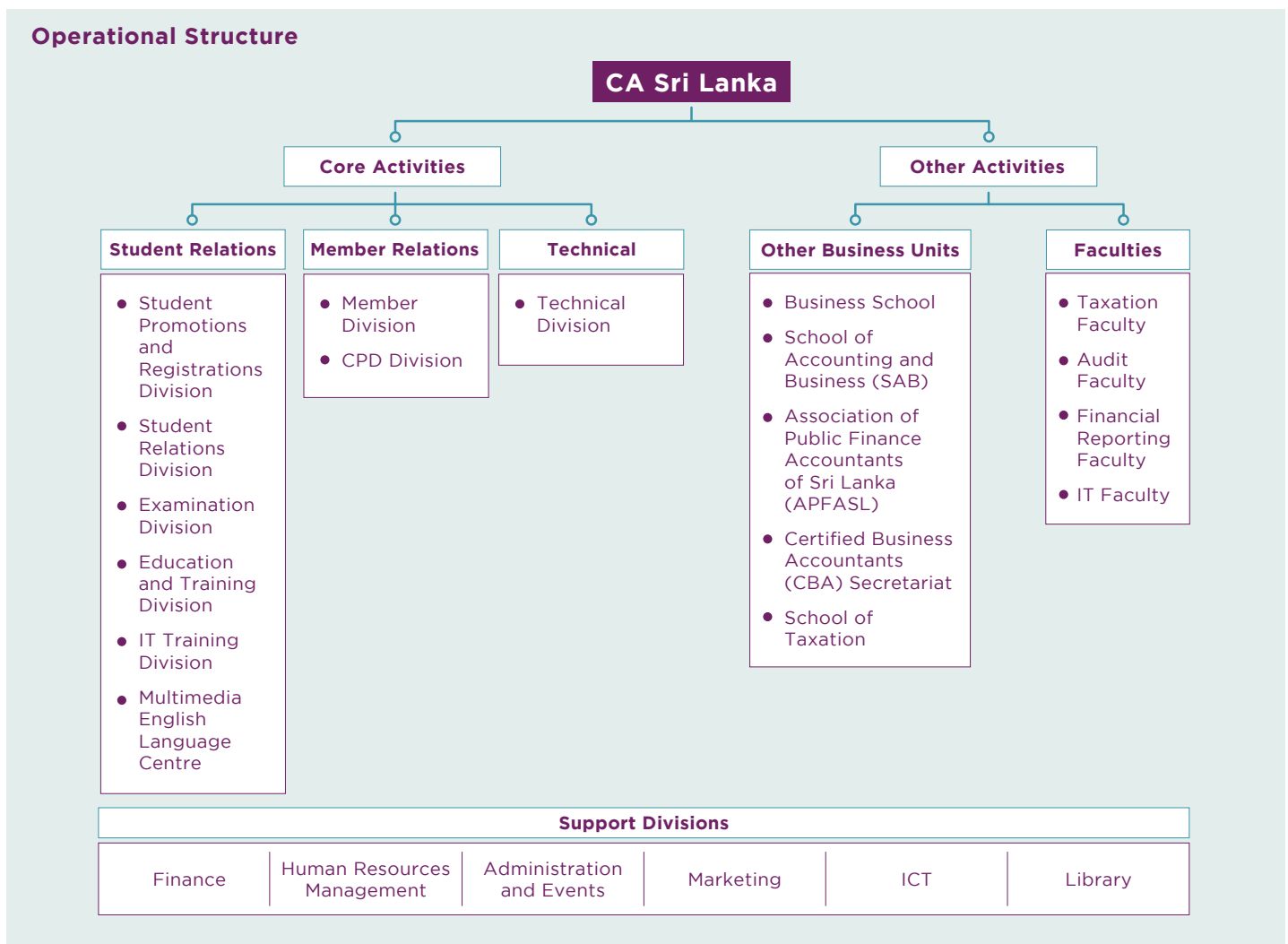
In a world where uncertainty is certain, change is unavoidable. Changes in the technological environment are the most rapid and frequent; they are mostly manmade; they are invading and exploding. Coping up with changes of such nature is a challenge. Only a progressive professional body can stand up to that challenge. CA Sri Lanka is a professional body sufficiently equipped and capable enough not only to stand up but also to convert such challenges into opportunities. Changes are seen in the eyes of CA Sri Lanka more as opportunities than challenges.

CA Sri Lanka does not claim a mere existence of fifty five years; it is a success story of fifty five years of a professional body; it is a beacon for the future; it sheds lights on professionalism in all affairs of itself, its stakeholders and the entire society.



During its existence spanning over a period of fifty five years, CA Sri Lanka has discharged its professional responsibilities in an exemplary manner consolidating the confidence and the expectations reposed in it by the community as a whole and the stakeholders. The year under review marked intensification of delivering value as a professional body keeping pace with the changes, needs and trends enveloping the society and environment.

The Institute worked with a commitment to ensure a high level of professional competence at the highest levels of integrity in a significant manner towards the national development efforts. The operational structure of the Institute was ready and suited to play this role efficiently and effectively.



### Our Key Stakeholders

- Students
- Members
- Government
- Business Partners
- Employees
- Society and Environment

Our activities add value to our stakeholders; and in turn, their actions enhance our value; our stakeholders are an indispensable asset to us; they form an important portion of our capital. Our business model is tailored for mutual benefit.

### Stakeholder Engagement

|                                  | Frequency of engagement       | Method of Engagement   | Topics discussed   |
|----------------------------------|-------------------------------|--|--|
| Members                          | Annually as well as regularly | <ul style="list-style-type: none"> <li>• Annual report</li> <li>• Notice of Meeting</li> <li>• Annual General Meeting</li> <li>• CA Sri Lanka website information updates</li> <li>• Events and other engagements</li> <li>• Press releases</li> <li>• Quarterly magazine 'Abacus'</li> <li>• Presence in social media</li> <li>• Webinars</li> <li>• Panel discussions</li> <li>• Training programmes</li> <li>• Convocation</li> <li>• Training guides</li> <li>• Code of Best Practice on Corporate Governance</li> </ul> | <ul style="list-style-type: none"> <li>• Membership</li> <li>• Strategic direction</li> <li>• Membership/student fees</li> <li>• Ethics and integrity</li> <li>• Regional co-operation</li> <li>• Affiliations with regional bodies and universities</li> <li>• Scholarships</li> <li>• Continuing Professional Development</li> <li>• New syllabus</li> <li>• Accounting &amp; Auditing Standards</li> <li>• Library facilities</li> <li>• Privileges and benefits</li> <li>• Job bank</li> </ul> |
| Students (current and potential) | Regularly                     | <ul style="list-style-type: none"> <li>• CA Student magazine</li> <li>• Workshops and seminars</li> <li>• CA Sri Lanka website</li> <li>• Events/other engagements</li> <li>• Presence in social media</li> <li>• Competitions</li> <li>• Webinars</li> <li>• Meetings with Examinations Committee</li> <li>• Training programmes</li> <li>• Training guides</li> <li>• Gavel Club</li> </ul>  | <ul style="list-style-type: none"> <li>• Coaching and examinations</li> <li>• Student welfare</li> <li>• New syllabus</li> <li>• Curriculum and educational material upgrading</li> <li>• Career planning and advice</li> <li>• Communication and IT skills</li> <li>• Scholarships</li> <li>• Practical training</li> <li>• Training colleges</li> <li>• Library facilities</li> <li>• Job bank</li> </ul>  |

|                         | Frequency of engagement | Method of Engagement   | Topics discussed  |
|-------------------------|-------------------------|--|---|
| Employees               | Regularly               | <ul style="list-style-type: none"> <li>• Performance appraisals</li> <li>• Review meetings</li> <li>• Management meetings</li> <li>• Communication via circulars, memos and e-mails</li> <li>• Events and get-togethers, sports day, celebrations and religious events</li> <li>• Strategic planning sessions</li> </ul> | <ul style="list-style-type: none"> <li>• Remuneration</li> <li>• Staff wellness and welfare activities</li> <li>• Work life balance</li> <li>• Future plans and strategic plan implementation</li> <li>• Employer - employee relationship</li> </ul>                        |
| Government              | Regularly               | <ul style="list-style-type: none"> <li>• Annual Report</li> <li>• Submission of special reports</li> <li>• Meetings/workshops with Government authorities and Departments</li> </ul>   | <ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Public sector accounting and financial management</li> </ul>   |
| Business Partners       | Regularly               | <ul style="list-style-type: none"> <li>• Meetings with suppliers</li> <li>• Call for quotations/estimates for general supplies</li> <li>• Visits made by either party</li> <li>• Competitions</li> <li>• Code of Best Practice on Corporate Governance</li> </ul>  | <ul style="list-style-type: none"> <li>• Registration of suppliers</li> <li>• Procurement policies</li> <li>• Procurement opportunities</li> <li>• Delivery of contractual obligations</li> <li>• Sponsorships</li> <li>• Global outsourcing</li> <li>• Job bank</li> </ul> |
| Society and Environment | Regularly               | <ul style="list-style-type: none"> <li>• General meetings</li> <li>• Interacting through community events and other corporate events</li> <li>• Presence in social media</li> </ul>  | <ul style="list-style-type: none"> <li>• CSR projects</li> <li>• Career planning and advice</li> <li>• Varying needs of individuals and society</li> </ul>  |

### **Students**

Students are our future. Attracting new students and molding them to become high calibre professionals is thus a key strategic priority for a professional organisation. CA Sri Lanka is always attractive to students who are aspiring to become professionals and society leaders. CA Sri Lanka is proud to claim that students it produced irrespective of what and where they are, have displayed high degree of professionalism in all their actions and have earned the confidence and the credibility.

### **Members**

Our members are our brand ambassadors. They are the lifeblood that will guide the destiny of CA Sri Lanka in the longer term. Their performance and recognition in Sri Lanka and abroad strengthen the brand value of professionalism of the Institute. We support their careers through Continuous Professional Development (CPD) and in turn access this vast pool of knowledge and experience whenever required. We are proud they are in demand and trusted world over. The Institute continuously provides its members with knowledge and guidance to improve professional, ethical and technical standards. We work to ensure a high level of professional competence among the membership.

### **Government**

CA Sri Lanka was established by Act of Parliament No. 23 of 1959. It comes under Ministry of Corporatives and Internal Trade. As per the provisions of the Act, the Minister appoints eight Council members.

The advisory and advocacy role we play with government and regulators in framing policies, regulations and rules on matters such as corporate governance, tax, auditing and financial reporting impacts a wide range of organisations in the country. The impact of these partnerships is thus felt beyond the agencies concerned, while also fostering public confidence and trust in the profession.

### **Business Partners**

The Institute continued to maintain and enhance its links with the business partners, particularly with the academia and other professional bodies. We further the advancement of knowledge, technical and management expertise and intellectual capital. It is a service as well as an investment with high returns to the Institute as well as to our partners. Our stature in the profession and the partnerships that we have built with local and international agencies enable us to be identified to deliver professional services, which in turn help us to build our capacity internally and externally.

### **Employees**

No institution would succeed in the absence of a loyal committed quality team around. It is even more critical for a professional body such as ours. Our employees serve in key areas relating to student and member services as well as the general public.

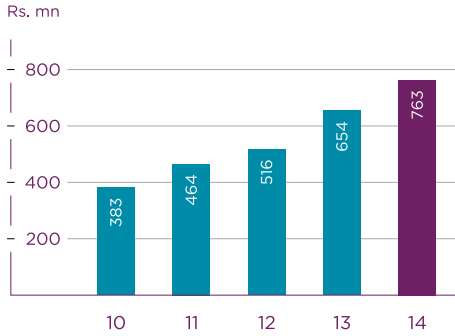
### **Society and Environment**

We nurture ourselves and work within society and environment. We are obliged to protect and promote societal interest and environmental concerns. Year 2014 is unique in reflecting how close we were to society and environment. The concerns of the society and the Institute were complementary. We are always environmentally responsible and adopt sound environmental practices.

We set an example in upholding the highest ethical and professional standards in all what we do; we raise public awareness, trust and confidence. CA Sri Lanka is a leader; a trend setter; a forerunner. The notion of Good Governance came into being in politics, economics, society and the entire country. CA Sri Lanka takes pride in being proactive, pioneering and foreseeing.

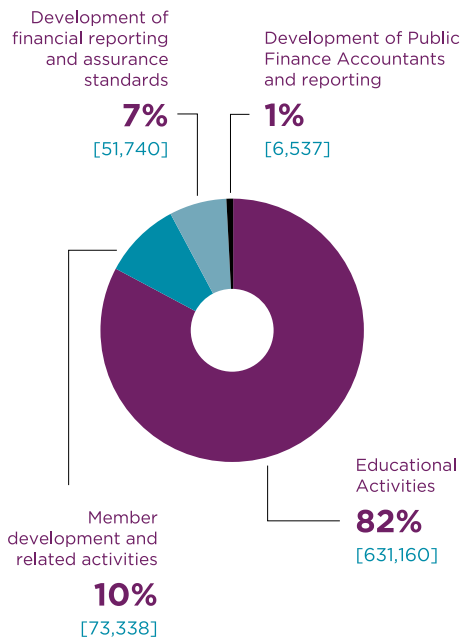


**Total Income**



**Composition of Income**

% and Rs. '000



The year under review educational activities recorded a revenue increase by 13% of which was contributed by the increased revenue from the examination activities, the revenue generated from the CA Sri Lanka Business School through its educational programmes and seminars, the revenue generated through the National Conference of the Institute and the School of Taxation due to the revenue generated from the two batches of the final level of Chartered Tax Advisor course commenced in late December 2013 and in June 2014. The BSc. Degree in Applied Accounting offered by CA Sri Lanka continued to break new ground as it recorded an income of Rs. 15.9 mn in opposed to the previous year recorded income of Rs. 2 mn. The introduction of the 'Curriculum 2015' of CA Sri Lanka was launched during the year under review. Intangible assets was increased due to investment in new curriculum.

The revenue generated from the member development activities grew from 19% and ending year recorded a total active membership of 4,680. The Institute produced its highest number of new ACAs during 2014.

Related to development of financial reporting and assurance, the Institute organised many activities and the seminar series on Sri Lanka Accounting Standards 2014 organised to cover all most all SLFRSs with 25 sessions lasted for 3 months. It contributed to an increase in the revenue generated from development of financial reporting and assurance-related activities.

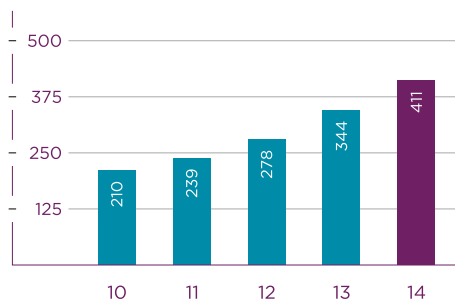
Due to the high demand, a significant increase in revenue was brought in by the CA Sri Lanka Annual Report Awards organised for the 50th consecutive year in the year under review.

The annual fund allocation for the scholarships was increased from Rs. 9.1 mn to Rs. 9.9 mn. The contribution of Rs. 5 mn received from Mr. Sanjeev Gardiner, son of late Mr. Cyril Gardiner towards adopting new technology in furtherance of excellence in the Annual Report Awards was transferred to the Cyril Gardiner Memorial Fund.

CA Sri Lanka recorded an increase in contribution before employee cost and overheads due to all above reasons in comparison to 2013.

**Contribution Before Employee Costs and Overheads**

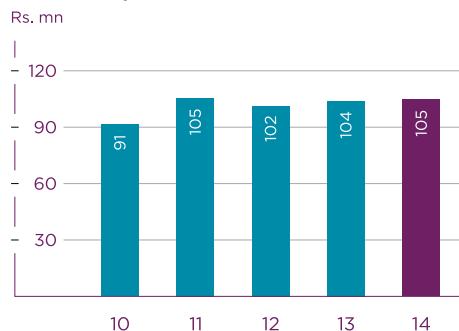
Rs. mn



The employee cost was increased during the year under review due to number of staff increased from 138 to 149 and salary increments.

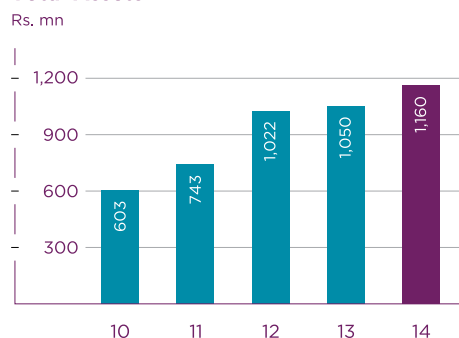
Highlights of the Year - 08  
 President's Message - 10  
 Secretary/CEO's Message - 14  
**Review of the Year - 18** ←  
 Stewardship - 46  
 Financial Reports - 68  
 Annexes - 131

### Total Comprehensive Income



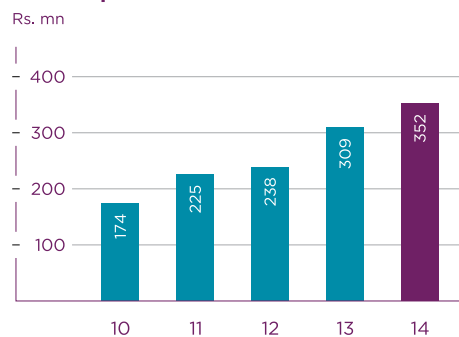
Maintenance expenditure of Rs. 18 mn was incurred due to the additions and alteration projects to create a face lift to the sections at old building and the CA Sri Lanka Auditorium. The value of property, plant and equipment increased due to additions and alteration projects hence an increase in contractor payables was incurred under trade and other payables.

### Total Assets



The value of held to maturity investments was reported Rs. 265 mn of which Rs. 100 mn was short-term investments and under the year reviewed the Institute also invested in long-term fixed deposits of Rs. 165 mn. The Institute invested Rs. 39.9 mn in available for sale financial assets during 2014. These resulted in an increase in the non-current assets and a decrease in the current-assets. The total assets increased from Rs. 1,050 mn to Rs. 1,160 mn.

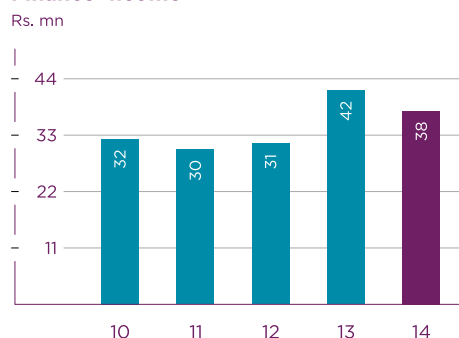
### Total Expenditure



Cash and cash equivalent value increased due to collections from examination applications, student registrations, membership renewals and other cashier collections. The investments in overnight market also had contributed towards this increase.

The wing of the Association of Public Finance Accountants of Sri Lanka was treated a division of the Institute commencing the year under review.

### Finance Income



Amidst competitive and challenging environment, CA Sri Lanka was able to achieve an overall increase of 17% in its direct income and 13.6% growth in contribution from educational activities. An increase in direct expenditure was reported due to the high amount of activities organised under the year reviewed, however the Institute was able to maintain the total comprehensive income of Rs. 104 mn.



John Keells Holdings PLC receiving the Cyril Gardiner Memorial Trophy for overall excellence in Annual Financial Reporting at the prestigious 50th Annual Report Awards Ceremony under the patronage of Hon. Basil Rajapaksa, Minister of Economic Development.

Transparency, accountability and good governance are becoming widely discussed subjects. Reaching a significant milestone in an illustrious journey that began in 1964, the Annual Report Awards celebrated its Golden Jubilee this year. For half a century the award competition has been a platform that recognised excellence in annual reporting, being a beacon of inspiration to the accounting profession whilst contributing immensely towards laying a firm foundation to the country's financial reporting framework.

Through the competition, CA Sri Lanka has been able to add value to the entire corporate reporting process. Introduction of a new award category for integrated reporting is evidence of the Institute's sensitivity and willingness to adopt. In 2014, 130 companies applied for the Annual Reports Awards, which was an all-time high in the event's 50 years history.

The Galle Face Hotel Group has been associating with the Annual Report Awards since its inception in 1964. Since 1992 the Gold Award for Overall Excellence in Annual Financial Reporting has been sponsored under the Cyril Gardiner Memorial Fund. This fund was further strengthened with a contribution of Rs. 5 mn towards adopting new technology in furtherance of excellence in annual financial reporting. This year, Colombo Stock Exchange associated as strategic partner whilst Lanka Rating Agency was the event sponsor.

In an effort to deliver proactive services to our stakeholders, the Sri Lanka Accounting Standards Implementation and Interpretation Committee was formed to address the financial reporting issues of common interest to a group of preparers, practitioners or a regulator, to provide clarifications/interpretations on financial reporting issues referred by interested parties and to deliberate on emerging financial reporting issues and provide awareness to the relevant stakeholders.

In another step towards upholding standards in the public interest, CA Sri Lanka initiated a SLFRS Service Desk to provide technical support to enhance the compliance in preparation of financial statements.

The Accounting Standards Bound Volume 2014 was published comprising of all accounting standards applicable on or after 1st January 2014 was published to ensure all stakeholders are duly educated on important changes to accounting standards. CA Sri Lanka also published the Auditing Standards Bound Volume 2014 which was based on the international best practices, thereby helping practitioners perform high quality audits to enhance public confidence.

Highlights of the Year - 08  
 President's Message - 10  
 Secretary/CEO's Message - 14  
**Review of the Year - 18** ←  
 Stewardship - 46  
 Financial Reports - 68  
 Annexes - 131



Mr. Arjuna Herath, President signs MoU with Hon. Minister Douglas Devananda, Traditional Industries and Small Enterprise Development. Mr. German Mueller, Senior Advisor to GIZ and Mr. Sivaganasothy, Secretary to the Ministry of Traditional Industries and Small Enterprise Development was also present at the signing ceremony.

The World Bank grant received by CA Sri Lanka with the aim of enhancing its technical competencies brought about a series of important initiatives to help enhance the country's financial landscape.

The World Bank grant was instrumental in developing an SME Audit Manual, helping SMPs conduct high-quality and cost effective audits, enabling them to serve SMEs better and in-turn the wider public interest. The grant also helped with the development of a SLFRS Service Desk, conduct quality assurance reviews which aimed at developing an appropriate structure and procedure to carry out complaint audit work and a series of training on Sri Lankan Standards on Quality Control 1 (SLSQC 1) policies and procedures.

With the aim of defining a standard of conduct and to ensure that members of CA Sri Lanka meet these standards, the Code of Ethics Publication was launched during the year under review. A Forum on Value of Audit – Shaping the Future of Corporate Reporting was organised to shed light and provide better understanding on the value of audit and to impress upon the importance of controls and compliance with laws and regulations. The programme on consolidation of the financial service sector was organised by CA Sri Lanka in order to discuss the implications and possible actions with professionals from the financial sector.

CA Sri Lanka also formed a Sustainability and Integrated Reporting Task Force with the objective of taking initiative in pioneering thought-leadership in the region on the transformational future of reporting and decision making. The committee is in the process of developing a guideline for corporates in implementing integrated reporting in Sri Lanka with practical suggestions in preparing an integrated report based on the International Integrated Reporting Framework.

SMEs play an important role in the Sri Lankan economy. To provide in-depth knowledge on the application of SLFRS for SMEs, CA Sri Lanka published the Technical Material/Guidance Notes on SLFRS for the benefit of SMEs with the collaboration of GIZ. SMEs are generally deprived of access to a broad range of professional and other support services. This inhibits the growth of their business and creation of business opportunities. Having understood the important role played by SMEs, CA Sri Lanka entered into an MOU with the Ministry of Traditional Industries and Small Enterprise Development to facilitate links between SMEs and SMPs to improve access to a broad range of professional and other support services.



Hon. Minister Sarath Amunugama gracing the first day technical sessions of the FRED (Financial Reporting for Economic Development) conference as the keynote speaker.

Meanwhile, in order to facilitate the SMPs to apply Clarified Auditing Standards for the audit of SMEs, CA Sri Lanka conducted a case-study based 2-day workshop designed to enable SMPs to carry out audits of SMEs in compliance with the Sri Lanka Auditing Standards and other Best Practices.

In a country where tax forms a sizable portion of the Government revenue, knowledge on decisions on tax disputes is of immense value to all sections of society, in particular to our members, lawyers, professionals, academics, revenue officers and students. In fulfilling this need a New Publication on Case Law was launched by CA Sri Lanka after a lapse of 17 years. The publication contains details of 72 cases heard by the Supreme Court and the Appeal Court on all types of tax related cases.



Prof. Mervyn King addressing the gathering at the inauguration of the Corporate Directors Programme.

CA Sri Lanka together with the Securities and Exchange Commission (SEC) jointly launched the Corporate Directors Programme, helping corporate directors enhance their existing competencies and on how to grapple with new regulations and challenges. The inauguration ceremony featured a keynote speech by Professor Mervyn King, Chairman of the International Integrated Reporting Council who shared his experience on emerging trends in Corporate Governance. Due to the high demand, two Intakes were conducted during the year under review. The participants of the Corporate Directors Programme who successfully completed the programme and fulfilled required criteria were recognised as Accredited Directors.

CA Sri Lanka and SEC, also paid tribute to ten distinguished Chairpersons of Public Listed Companies for demonstrating visionary leadership and governance in achieving sustainable corporate performance. As we have been doing in the past, taking the views of our members on board, the Institute submitted several crucial proposals for the National Budget to the Ministry of Finance. From the proposals we submitted, four proposals received favourable consideration of the Government and have since been enacted into tax law.

The "CA Sri Lanka Guide to Income Tax Law YY/A 2012/13 and 2013/14" which was published with the aim of enhancing the taxation knowledge of professionals including our members as well as students and the public, sold over 1000 copies during the year under review. During the year under review, the annual Tax oration was conducted in September with the keynote speech delivered by the Secretary to the Treasury Dr. P B Jayasundera, who spoke on 'New Dimensions of Sri Lanka's Public Financial Management and Taxation in the Context of Emerging Global Environment.'

The Annual Budget Seminar organised by CA Sri Lanka is one of the most sought after events in our annual calendar, much looked forward to by our members, students as well as the general public. The increasing number of participants we record annually bears testament to the importance of this event. During the year under review, we recorded a total of 850 paid participants among whom were eminent industry professionals who registered for the seminar held in October 2014.

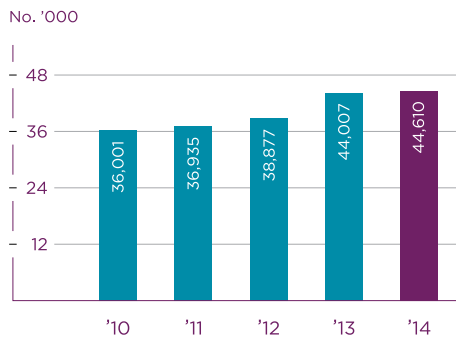
As a professional body, CA Sri Lanka understands the important roles played by both the public and private sectors. Having understood the important scope of the public sector, CA Sri Lanka established the Association of Public Finance Accountants of Sri Lanka (APFASL), with the primary objective of enhancing the professional skills and expertise of public sector accountants, auditors and assessors to improve financial management practices in Sri Lanka. During the year in review, APFASL conducted 19 training programmes, several pilot projects and seminars on Public Sector Accounting Standards, Accrual Accounting and Procurement, with the main aim of strengthening the country's financial landscape.

Further, in an effort to enhance public sector financial management, CA Sri Lanka implemented six Sri Lanka Public Sector Accounting Standards in the year under review, in addition to four existing standards already issued by the institute.

The specialised public sector qualification, 'Chartered Public Finance Accountant' (CPFA) with partnership of CIPFA London was initiated during 2014 and launched in February 2015.

In yet another pioneering venture, CA Sri Lanka joined hands with the Information and Communication Technology Agency of Sri Lanka (ICTA) and the Sri Lanka Association of Software and Service Companies (SLASSCOM) to offer a groundbreaking professional qualification for the Financial Accounting Outsourcing (FAO) sector. This initiative will help fulfil the Nation's objective of being a BPO hub for the world. The MOU was signed during the year under review and the programme is expected to commence in 2015.

**Student Growth**



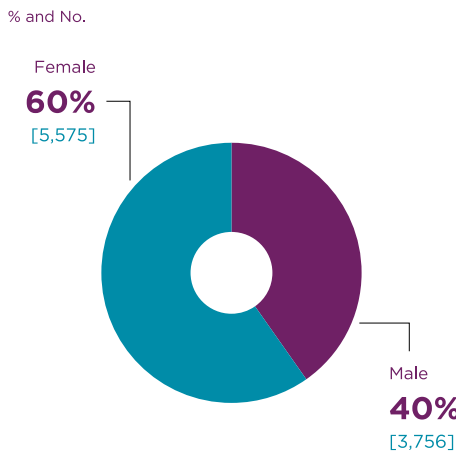
Excellence in education is the means to professional development. We launched a new syllabus - CA 2020 to make the next generation of Chartered Accountants to be versatile, on par with international standards and sought after by employers and the new study materials was developed with BPP, enabling our students to have access to study materials of international standards.

A new practical training scheme was also developed complying with the International Education Standards and considering the stakeholders' expectations with the objective of enabling aspiring Chartered Accountants to demonstrate that they have gained the technical competence, professional skills and professional values, ethics and attitudes necessary for performing a role of a professional accountant.

CA Sri Lanka could register new teaching colleges with more modern facilities to facilitate our students better. Several new teaching colleges were registered island-wide during the year thus bringing the total to 16 teaching colleges by the end of the year, providing a wider choice for students to choose a trusted teaching partner.

During the year under review, a total of 63 Training Partners came onboard, giving the institute's over 600 training partnership a further boost. CA Sri Lanka's curriculum is not limited to traditional education and also promotes practical training, which is mandatory in the curriculum. During the year under review, over 3,600 trainees were enrolled. Online training records were replaced with manual training records with effect from 1st March 2014 aiming to maintain fully automated training records.

**Gender-wise Analysis of Students**



The Institute also revamped its examination process by way of introducing more features and facilities for its students. A question wise breakdown of marks, publish answers (suggested solution) and question papers in Tamil medium, providing of a Students' Performance Evaluation Report, a policy for assisting special needs students and many more initiatives were included. As in foreign professional institutes, CA Sri Lanka students can now request for an administrative report of his/her answer sheets.

Guidelines for case study students "How to get ready for examinations" consisting of an individual examiner comment report, suggested solutions and general examiner comments to help prepare students for the Case-Study examination was published by CA Sri Lanka. Interactive sessions were conducted for the benefit of the candidates who were not successful at the strategic level examination and case studies. In September 2014, an additional Top CA Case Study was conducted in an effort to fast-track their membership.

Sharing suggested answers with lecturers was another initiative taken to promote interactive sessions and an opportunity to submit their answer and express their view about the model answer in students' point of view. Used action verbs (assessment techniques) was another initiative that was developed to maintain standards of the question papers in 2014.



Inauguration of the BSc. Applied Accounting Degree under the patronage of Dr. Sunil Jayantha Navarathne - Secretary to the Ministry of Higher Education.

Foreign examination centres were in operation in Maldives and Qatar during the year under review in our effort to offer greater access to the large number of our students working overseas, with 86 students benefiting.

The Institute conducted mock examinations and discussed the answers with the students subsequent to the examinations. Webinars and Interactive sessions were also conducted to help students prepare for examinations with better confidence.

Communication plays an important role in the success of a professional. Having understood the importance of producing highly proficient professionals who are holistic, special emphasis was paid to improving the communication skills aspect under the new curriculum which comes into effect from 2015. The language pillar under the new curriculum for the Executive, Business and Corporate levels were developed with a view to meet the challenging demands of the consistently fast paced finance and accounting profession.

Necessary efforts were also taken to ensure that students had the accessibility to internationally recognised qualification to help them in the longer term as professionals. We succeeded in creating 96 such communicators equipped with the Cambridge Financial English qualification, recognised globally.

The revolution witnessed by the profession over the years is largely owing to the Information Technology which has encompassed the entire finance function. In this context it is imperative that our students be well-versed in ICT. Having identified this contemporary need, the Institute made hands on IT training compulsory in its study programme. While a series of programmes for professional development in the field of IT was also conducted during the year in review.

A Certificate course in computerised accounting (SAGE 50) was conducted to update knowledge and exposure to hands on practical training working with an entry level accounting application. A supplementary Project Management Professional Course (PMP) was conducted to improve the knowledge of project management and the contribution of financial professionals. A team of 21 young and upcoming future leaders got exposure through these two programmes.

In an era where information is going to be the most valuable asset and yet, it is often subject to threats from all corners, knowledge on information security, control and audit helps professionals to learn where the pitfalls are. The Diploma in Information Systems, Security Controls and Audit conducted by CA Sri Lanka imparted this knowledge to 31 participants.

CA Sri Lanka also conducted several training programmes on Microsoft Office Suite to enhance effective usage and productivity among professionals. In addition, three more programmes were conducted to improve the knowledge and skills in using Computer applications and presentations.

Negotiation skills are essential for a professional to be effective. We conducted a workshop on effective negotiation skills with the British Council to impart in-depth thorough knowledge on this subject.

| Category                                | 2014  | 2013  |
|---|-------|-------|
| ACA Enrolment                           | 381   | 242   |
| CAB Certificates                        | 1,241 | 944   |
| Approval of Training Organisation       |       |       |
| - Public practice-certificate level     | 8     | 8     |
| - Public practice Strategic level       | 3     | 5     |
| - Non-Public practice Certificate level | 25    | 41    |
| - Non-Public practice Strategic level   | 27    | 33    |
| Assessment of Trainees                  | 919   | 1,185 |
| New Training Agreements registered      | 3,626 | 3,600 |

CA Sri Lanka being ready to cater to the contemporary and future needs introduced the SLFRS eLearning and Certification Programme. This facilitates interactive and distance learning and award certification to upgrade the knowledge on SLFRSs through comprehensive learning materials, practical scenarios, case studies and self-learning questions.

CA Sri Lanka also conducted two ORACLE Business Application Information Sessions to provide insight and overview of ERP Applications (Oracle e-Business Suite). Complementing this, a Seminar Series on Demystifying Enterprise Resource Planning Implementation (ERP) was also offered.

As it should be for a widely accepted professional body across the society, the concerns and considerations of CA Sri Lanka go beyond its primary stakeholders. It introduced and continues several novelties to cater to the societal needs, by conducting to Guru Nena Seminars to reach more than 600 teachers and 33 Sisu Nena Seminars which benefited nearly 15,000 students island-wide. These popular seminars provided a rare exposure for teachers and students with a glimpse of the corporate world.

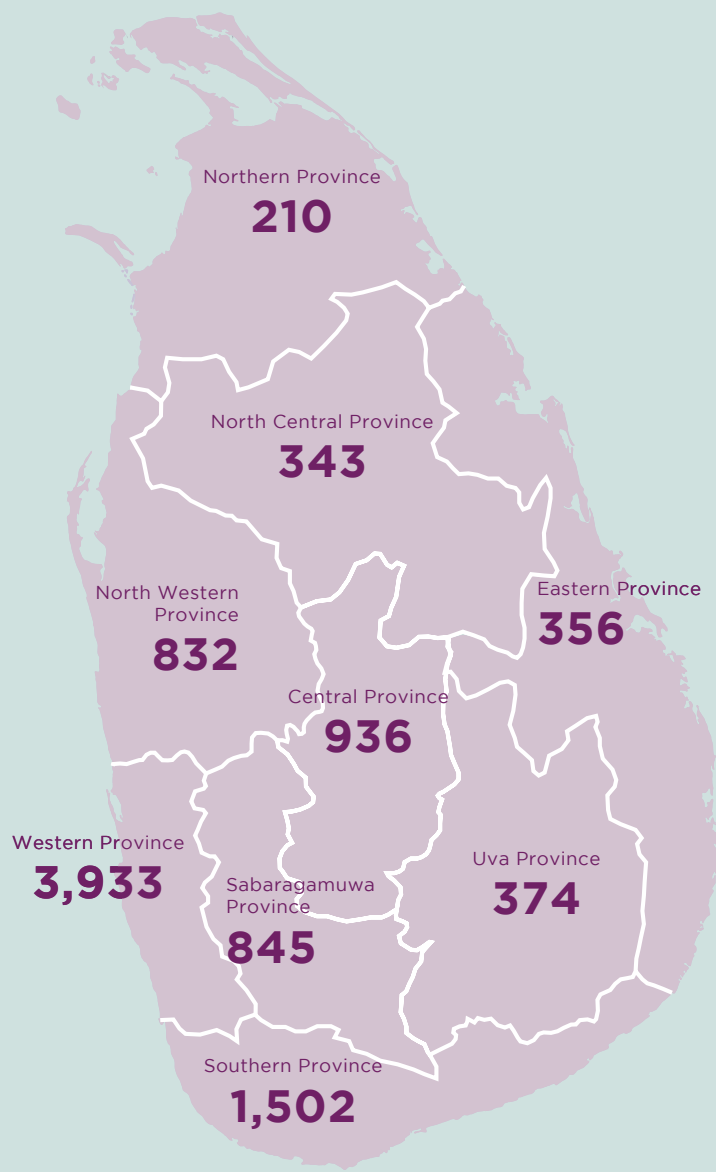
Guiding and assisting students with outstanding results at G.C.E. (A/L) is considered a social responsibility, CA Sri Lanka offered scholarships to the top 10 students in all four streams at the G.C.E. (A/L) examinations during the year under review. This was further extended to the students who obtained first place in each district at the same exam in the Commerce stream, while 30 scholarships were also offered for Strategic Level trainees on a merit basis along with a monthly allowance.

As members and students would have witnessed through the enormous amount of correspondence, CA Sri Lanka had conducted a significant amount of seminars, workshops, interactive sessions and training programmes to enhance the knowledge and skills of its students, members, business partners and business executives. All these can be broadly categorised under the areas of Business Strategy, Capital Budgeting, Skills Improvement, Strategic Thinking/Decision Making Capital markets and Different Financial Systems. Over 8,651 stakeholders benefited from these programmes during the year in review.

CA Sri Lanka introduced online teaching programmes and a Webinar Portal which reached all stakeholder groups during the year. These initiatives were cost effective and time saving modes of communication, helping our stakeholders to keep up-to date although not being physically present at the event's venue.

Driven by the vision to provide a quality tax advisory education, CA Sri Lanka launched the Chartered Tax Advisor course which is on par with UK and Australian standards, while focusing specifically on the tax system in Sri Lanka. The Chartered Tax Advisor convocation was held for 11 Chartered Tax Advisors who have successfully completed all exams and viva sessions. The number of Chartered Tax Advisors are expected to increase in 2015, with over 45 Chartered Tax Advisors expected to qualify.

### Province-wise Analysis of New Student Intake - 2014



The Institute registered 9,331 students out of 11,007 new applicants during the year under review, owing to the delay in release of the G.C.E. Advanced Level examination results in 2014.



IFAC president Mr. Warren Allan with CA officials at the SAFA events held on January 2014 Colombo, Sri Lanka.

At a time when the role of CFOs is increasingly becoming crucial for sustainable corporate success and with a view to draw their attention to the emerging realities, CA Sri Lanka organised a CFO Forum with the participation of Mr. Fayeze Choudhury, Chief Executive Officer of the International Federation of Accountants (IFAC). The forum concluded with a panel discussion giving an opportunity for the participants to clarify their issues and concerns.

A CEO Breakfast Forum on the theme of "Responsible Leadership and its Value to Corporate Business" was organised with La Trobe Business School featuring two renowned experts, Professor Timothy Marjoribanks, Head of Department of Management and Prof. Suzanne Young, Director of Executive Education at La Trobe Business School making presentations. A CEO Breakfast Meeting on 'A new beginning through strategic alliance', featuring Prof. Vasanthi Srinivasan, Associate Professor in Organisation Behaviour and Human Resource Management was also held in May 2014.

A seminar on Quality Financial Reporting and Appropriate Governance was organised to emphasise the importance of adopting quality financial reporting and governance for the benefit of an organisation and how that benefit creates value to the owners of the organisation. The audience of the programme comprised of Directors, CFOs, General Managers, Finance Managers, Accountants, Auditors and Business Consultants.



Mr. Fayeze Choudhury CEO, IFAC speaks at the CFO Forum.

CA Sri Lanka sees no boundaries in advancing professional standards of its stakeholders. In ensuring we partner with the best, CA Sri Lanka renewed its agreement with the Institute of Chartered Accountants of England and Wales (ICAEW) in 2014, to provide more recognition to our members the world over.

The CA Sri Lanka BSc. Degree in Applied Accounting received overwhelming response both locally and internationally. Two intakes were enrolled in March and September 2014. The degree also attracted foreign students from Oman who chose the degree based on its relevant curriculum. The degree continued to break new ground as it received endorsements from leading universities and professional organisations abroad, including Australia's top university, La Trobe University and CPA Australia, which is one of the world's largest global accounting bodies.

The BSc in Applied Accounting also offered a series of exemptions for a number of professional qualifications such as CA, CIMA, AAT as well as Higher National Diplomas offered by the Institute of Advanced Technological Education (SLIATE), enabling professionals to earn a recognised academic qualification within a short period of time. All these efforts helped increase the student base of the School of Accounting and Business of CA Sri Lanka from 19 to around 175 within a very short span of time.

**Review of the Year - 18** ←

| Category                           | 2014 | 2013 |
|------------------------------------|------|------|
| L. A. Weerasinghe Scholarships     | 36   | 12   |
| Merit Strategic level Scholarships | 30   | 31   |
| Members Sponsorship Scholarships   | 12   | 12   |

Under the patronage of Mr. Hemal Gunasekara, Deputy Minister of Co-operatives and Internal Trade as Chief Guest and Mr. Ranil Wijegunawardane, Managing Director/Chief Executive Officer of Colombo Dockyard PLC as the Guest of Honour, the CA Sri Lanka annual convocation ceremony conferred Associate Membership status to 297 new Chartered Accountants while 149 existing Associate Members were conferred with the distinguished Fellowship status (FCAs) elevating them to the highest stratum in their professional careers.

The MBA programme of the University of Southern Queensland offered at CA Sri Lanka is today one of the most sought after Master's Degree programmes in the country by business leaders and high profile professionals from the accounting and non-accounting fields. The USQ MBA which has been offered at CA Sri Lanka since 2002, has grown to a student population of 150 members and an impressively active alumni of 600.



CA Sri Lanka Business School Convocation under the patronage of Ms. Roybn Mudie, Australian High Commissioner to Sri Lanka as Chief Guest and Dr. Talal Yusuf, Executive Director (USQ International and Development).

The Business School held its Annual Convocation on 27th November 2014, graced by Dr. Talal Yusuf, Executive Director (USQ International and Development) Ms. Roybn Mudie, Australian High Commissioner and Johnathan Alles, HNB CEO where approximately 130 students graduated at the ceremony.

The Business School which has been at the forefront in offering cutting edge programmes for the enhanced development of professionals, also offers a Postgraduate Diploma in Business and Finance and an Executive Diploma in Business and Accounting, The convocation in November also saw 42 students being awarded Postgraduate Diploma in Business and Finance.

The Certified Business Accountant (CBA) is a status recognised by the public and private sectors in Sri Lanka. CBAs are identified as mid-level accountants. 545 students progressed as Certified Business Accountants (CBA) at the 2014 CBA Convocation Ceremony.

Offering world class education for the benefit of our stakeholders has always been at the top of our agenda, with this objective in mind, we invited two internationally reputed organisations to Sri Lanka in 2014, Duke CE, ranked No. 1 for executive education in the world, and Euromoney Training LLC to conduct programmes for the professional advancement of Sri Lanka's corporate community.

Duke CE conducted a programme for senior management of companies in June 2014 on 'Strategic Thinking'. The programme was oversubscribed and received an overwhelming response from the participants who included business leaders.

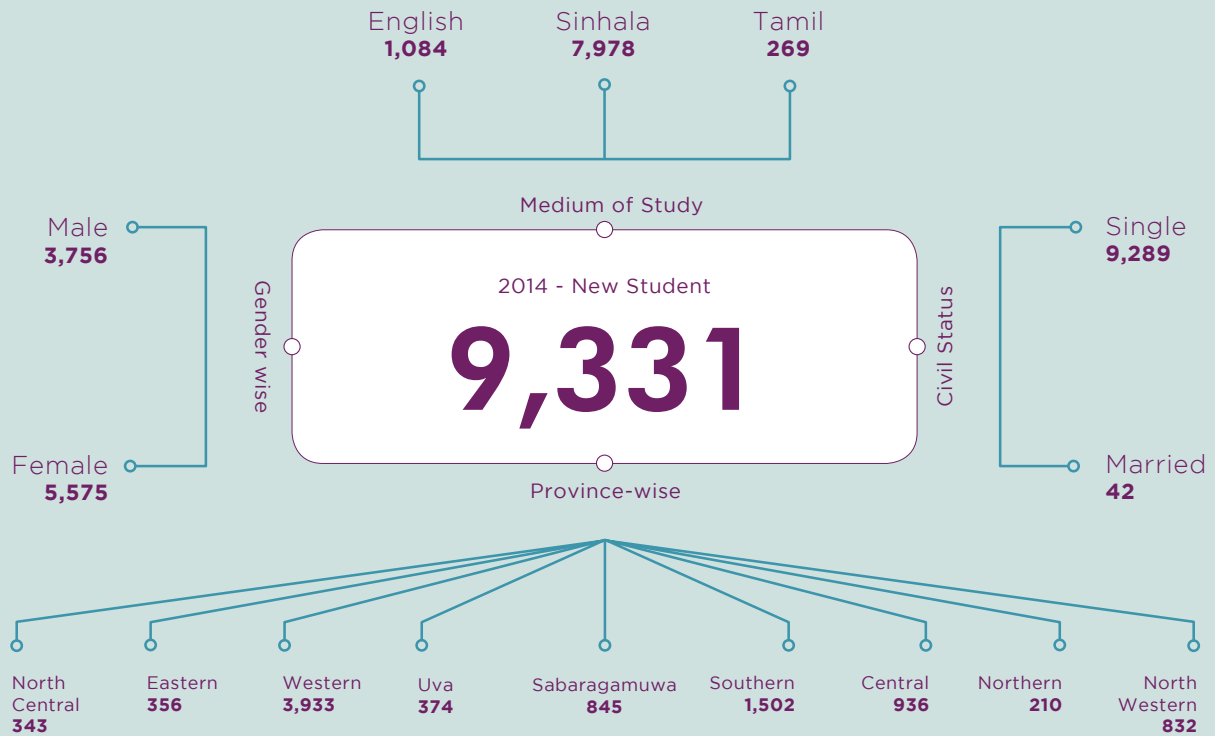
Following the success of the Duke CE Programme, in November 2014, Euromoney Training LLC and CA Sri Lanka Business School partnered to conduct a three-day sell out workshop covered critical aspects of mergers and acquisitions in the current business context. The workshop was conducted by Andrew Regan, a former consultant for some of America's famous business tycoons.

### Worldwide Members' Dispersion



| Country                     | No. of Members | Country              | No. of Members | Country             | No. of Members |
|-----------------------------|----------------|----------------------|----------------|---------------------|----------------|
| 1. Sri Lanka                | 3,773          | 15. Fiji             | 11             | 29. Barbados        | 1              |
| 2. Australia                | 337            | 16. Oman             | 10             | 30. Channel Islands | 1              |
| 3. Canada                   | 82             | 17. Cayman Islands   | 9              | 31. Bahamas         | 1              |
| 4. United Kingdom           | 70             | 18. Bermuda          | 7              | 32. India           | 1              |
| 5. Botswana                 | 55             | 19. Maldives         | 7              | 33. South Africa    | 1              |
| 6. United Arab Emirates     | 55             | 20. Papua New Guinea | 6              | 34. Switzerland     | 1              |
| 7. United States of America | 54             | 21. Ireland          | 4              | 35. Zimbabwe        | 1              |
| 8. Qatar                    | 47             | 22. Malaysia         | 4              | 36. Nigeria         | 1              |
| 9. New Zealand              | 30             | 23. Jamaica          | 3              | 37. Japan           | 1              |
| 10. Saudi Arabia            | 28             | 24. Ghana            | 3              | 38. Philippines     | 1              |
| 11. Bahrain                 | 18             | 25. Hong Kong        | 3              | 39. Gabon           | 1              |
| 12. Zambia                  | 17             | 26. Bangladesh       | 2              | 40. Malawi          | 1              |
| 13. Kuwait                  | 16             | 27. Vanuatu          | 2              | 41. Malta           | 1              |
| 14. Singapore               | 11             | 28. Vietnam          | 2              | 42. The Netherlands | 1              |

### Analysis of New Student Intake - 2014





CAPA president Mr. Sujeewa Mudalige with CAPA CEO, Mr. Brian Blood at the CAPA events held in Negombo Sri Lanka May 2014.

As a responsible professional institution, CA Sri Lanka provides its members with ideas, skills, knowledge, competencies and opportunities to reach the highest point of the corporate ladder. They also gain opportunities to share their knowledge with the rest of the world by providing leadership in various regional and global accounting bodies, as testament to this both the leadership positions of CAPA and SAFA is currently being held by CA Sri Lanka members.

The President of the Confederation of Asian and Pacific Accountants (CAPA) for the years 2014 and 2015 is Mr. Sujeewa Mudalige, a Past President of CA Sri Lanka, while the vice presidency of the South Asian Federation of Accountants (SAFA) is held by the current President of CA Sri Lanka, Mr. Arjuna Herath, who was subsequently inducted as President of SAFA in 2015. Our members also serve in the committees of IFAC and IASB.



Mr. Arjuna Herath inducted as the president of SAFA at the SAFA events held in Bangalore, India.

Our members contribute in formulating and executing the strategy enabling businesses to reach their highest potential in the corporate world and ensuring sustainable growth. They also have opportunities to engage in public sector organisations in various capacities such as Governor of the Central Bank, Chairmen, Auditor General, Directors, CFOs etc. Our members are our pride; they are our brand ambassadors. During the year, we conducted several events to make them competent professionals with highest standards in the public interest.

The National Conference of Chartered Accountants is one of the most attended business summits in Sri Lanka's corporate calendar. The theme of the 35th National Conference held in October 2014 was RETHINK to REVIVE. The event attracted 1,383 participants including 145 participants who registered for the webcast. The event was held under the patronage of His Excellency Geoff Q. M. Doidge, South African High Commissioner to Sri Lanka, while the keynote speech was delivered by Mr. Priyan Fernando, Chairman of Brandix Lanka Ltd, who is also a fellow member of CA Sri Lanka.



Mr. Priyan Fernando, Chairman of Brandix Lanka Ltd., delivering the key note address at the 35th National Conference of CA Sri Lanka.

The greater role the accountancy profession can play across Asia to improve the quality of financial reporting, and foster transparency, especially among the public sector, was highlighted at the Financial Reporting for Economic Development Conference hosted by CA Sri Lanka in June 2014. The conference organised jointly by CAPA, World Bank and IFAC, brought together some 150 high profile regulators, policy makers, business leaders, academics and professionals from across Asia. The conference was the first of its kind held in Asia.



Chief Guest, His Excellency Geoff Q.M. Dodge, South African High Commissioner of Sri Lanka delivering his speech at the 35th National Conference of CA Sri Lanka.

Every year, CA Sri Lanka pays tribute to distinguished members of the profession for their invaluable service to the profession, society and country. In 2014 too, the Institute paid tribute to Deshamanya Charitha Prasanna de Silva with the Lifetime Achievement Award for 2014 in appreciation of his outstanding contribution to uplift the accounting profession, the Institute and the nation. The Lifetime achievement Award organised by CA Sri Lanka is the highest achievement a member could receive.

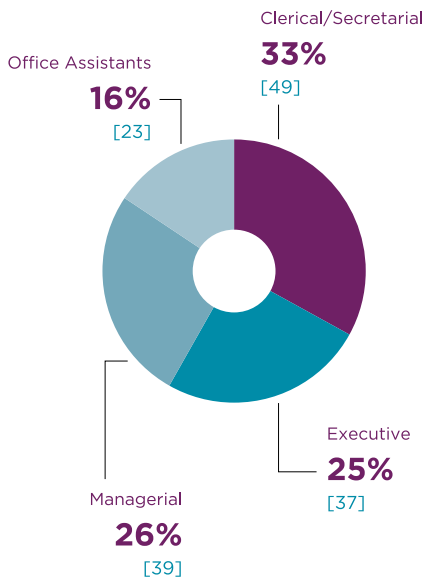
Two other senior members, Chartered Accountants Mr. Uditha Palihakkara and Mr. Lal Nanayakkara were inducted to the CA Sri Lanka Hall of Fame in 2014.

Knowledge building of students is a national investment with high returns. Taking pride in being a pioneer in this national endeavour, CA Sri Lanka organised several events during the year in keeping with this objective. The events included 'Tea with the Champion', a unique programme which allowed students to meet their professional role model to enlighten and clarify their subject knowledge, while also initiating the Business Plan Competition for Commerce stream students sitting for the 2015 GCE (A/L) examination.

During the year under review, the CA Students Society organised the International CA Student Conference, with the focus of providing an all-round exposure leading to character building and team work, the International CA Students Conference was organised with the participation of 630 Sri Lankan students, 12 from ICA India, 6 from ICA Pakistan, 2 from CMA Bangladesh and 1 from UAE. Eminent speakers representing a cross section of diverse disciplines shared their views with the participating future Chartered Accountants. In an effort to provide opportunity to exchange knowledge, thoughts and cultural values, the Student Exchange Programme was conducted during 2014 between member nations of the South Asian Federation of Accountants (SAFA). During the year under review, 11 students participated at the International CA Students Conference held in Bangalore, India on 27th and 28th December 2014 while 8 students took part in a similar conference conducted by ICAP in Karachi, Pakistan on 23rd December 2014 with the full sponsorship of the Institute.

**Staff Composition**

% and No.



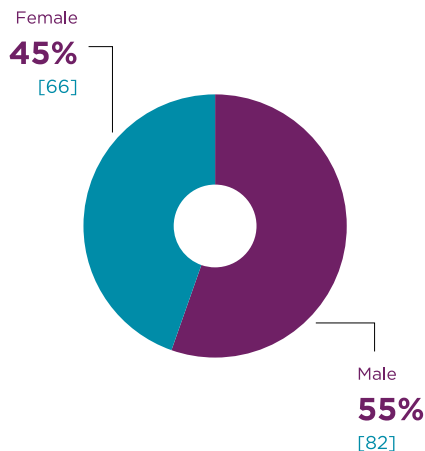
Societies are moved by professionals and the corporate world and it is the most competitive segment. The sustainability, success and growth of a player in the corporate world depend on how dynamic and proactive the entity is. CA Sri Lanka has always been in the forefront among professional bodies but cannot afford to be complacent. Year 2014 was another busy year for the Institute in searching and delivering dynamic and proactive services to its stakeholders. These services were delivered in several respects.

CA Sri Lanka launched several programmes to upgrade quality and effectiveness of auditing on performance improvement, which included the development of the small and medium size entities audit manual. In addition, the Training on the Audit Tool Kit for SMPs, and Training on Sri Lanka Standard on Quality Control (SLSQC1) were conducted where approximately 150 practitioners and senior audit staff were trained on quality control of audit in 10 sessions. During the year, approximately 40 Quality Assurance Reviews were conducted to develop an appropriate structure and procedures to carry out compliant audit work.

During the year under review, CA Sri Lanka implemented quality assurance and accreditation processes for conducting communication and people's skills course at executive level at teaching colleges. This improved the standard of the delivery and thereby enhanced the communication skills of over 7,500 students.

**Gender-wise Analysis of Staff**

% and No.

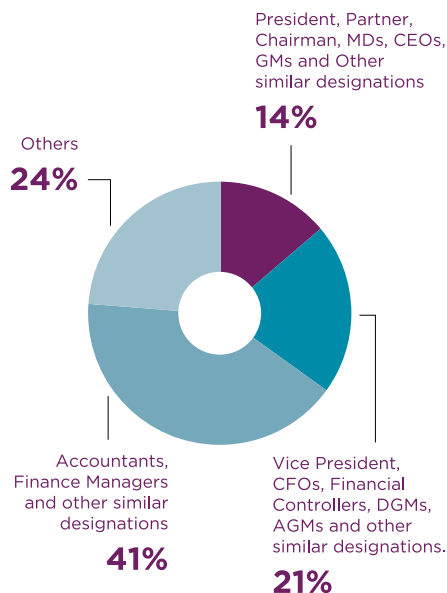


The Institute recognises the importance of improved facilities to service our members. This concern is reflected in the schemes, most of which were new initiatives, implemented during the year.

Some of the key initiatives being: the HNB Affinity Credit Card as well as an ATM machine at the institute premises, and a new payment gateway. We also offered various online services during 2014 which benefited our members and students. The online services included: the CA Job Bank, Online Member Forums, Online Profile Update, online registration for Business School courses, real time SMS notification. Online Renewals and Office 365 Cloud Accounts for Members, Online Inquiry Manager and the online facility to reserve books at the CA library.

The CA Sri Lanka Library, as a part of a series of measures to further upgrade and widen the scope of services provided, introduced a home delivery service of library books and documents to its users.

**Designation-wise Analysis of Members**



Following the completion of the primary infrastructure project in 2012, CA Sri Lanka embarked on the second phase of the renovation project identified as 'Phase 2' which saw the further renovation of various others sections within the institute premises. The refurbishment project was completed in January 2014 enhancing the institute infrastructure facilities provided to stakeholders. The Auditorium was revamped with enhanced state of the art facilities with a seating capacity of nearly 400, while the examination division and library was refurbished in order to service students and members more effectively.

In an effort to complement the professional progression of our members who are overseas, the CA Sri Lanka Overseas Chapters continued to play an active role in promoting networking and CPD programmes. The ongoing Chapter in Qatar and Bahrain were successfully continued in the year, while new chapters in Kuwait and UAE were established.

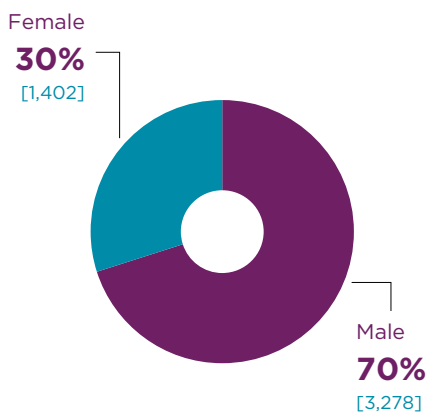
In the same year, a Training Partners' Forum was organized to provide insight and understanding of the gaps identified in the training of Chartered Accountants. The programme was conducted by Prof. Vasanthi Srinivasan, Associate Professor of Organisational Behaviour and Human Resource Management.

During the year 2014, the student and member activities of CA Sri Lanka was further boosted with a total of seven Lead sponsors coming onboard. The lead sponsors were: Aitken Spence PLC, Cargills Ceylon PLC, Hatton National Bank PLC, Hayleys PLC, John Keells Holdings PLC, Sri Lanka Telecom PLC and Sri Lanka Insurance Corporation.

The year under review also saw unique events and activities carried out by the Young Chartered Accountants' Forum (YCAF) and Members Benevolent Society (MBS) for their respective audiences. Moreover, adequate collaboration was extended for activities conducted through the ICASL Toastmasters Club, CA Students' Society and the Gavel Club.

**Gender-wise Analysis of Members**

% and No.



**Analysis of Members**

| Residency          | ACA-FCA          | Gender | Total | Male  | Female |     |
|--------------------|------------------|--------|-------|-------|--------|-----|
| Non-Resident       | ACA              | F      | 169   |       | 169    |     |
|                    |                  | M      | 415   | 415   |        |     |
|                    | <b>ACA Total</b> |        | 584   |       |        |     |
|                    | FCA              | F      | 44    |       |        | 44  |
|                    |                  | M      | 279   |       | 279    |     |
| <b>FCA Total</b>   |                  | 323    |       |       |        |     |
| <b>Total</b>       |                  |        | 907   |       |        |     |
| Resident           | ACA              | F      | 979   |       | 979    |     |
|                    |                  | M      | 1,744 | 1,744 |        |     |
|                    | <b>ACA Total</b> |        | 2,723 |       |        |     |
|                    | FCA              | F      | 210   |       |        | 171 |
|                    |                  | M      | 840   |       | 840    |     |
| <b>FCA Total</b>   |                  | 1,050  |       |       |        |     |
| <b>Total</b>       |                  |        | 3,773 |       |        |     |
| <b>Grand Total</b> |                  |        | 4,680 | 3,278 | 1,402  |     |

# STEWARDSHIP

The governance structure of the Institute and the way it complies with applicable rules and regulations and how it manages risks are explained in this chapter.

Past Presidents - **47**

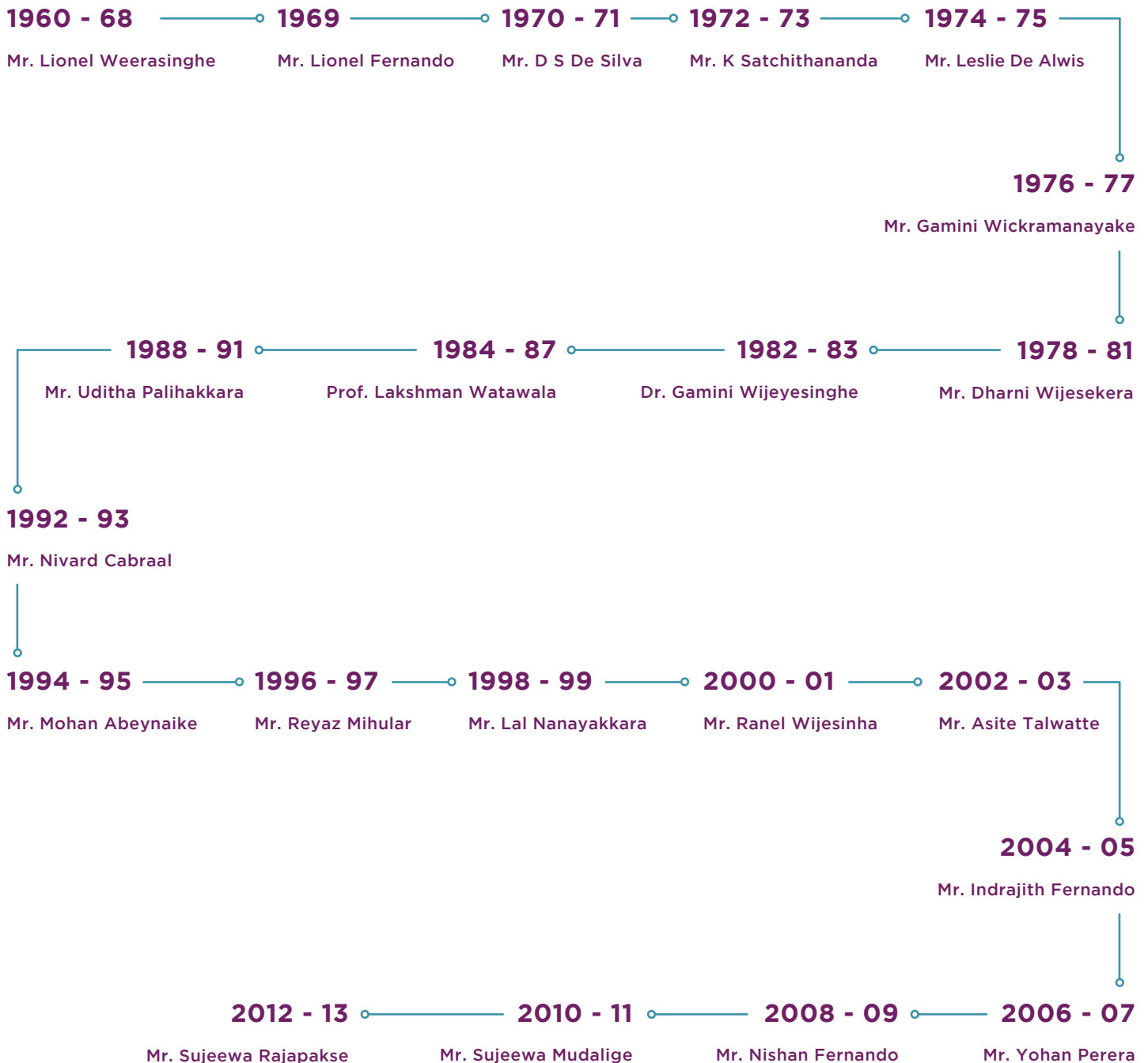
The Council - **48**

Management Team - **50**

Governance - **52**

Report of the Governance and Audit Committee - **62**

Risk Management - **64**





**Mr. Arjuna Herath**  
 FCA, BSc, MA in Financial Economics, MBA  
**President**  
 Partner and Head of Advisory Services, at Ernst & Young - Sri Lanka and Maldives.

President, South Asian Federation of Accountants (SAFA) and Member of the Board of Directors of Confederation of Asia Pacific Accountants (CAPA). Member of the Professional Accountancy Organisation Development Committee of the International Federation of Accountants (IFAC). Commissioner of the Securities and Exchange Commission (SEC). Member of the Board of Directors of Sri Lanka Accounting and Auditing Standards Monitoring Board and Postgraduate Institute of Management.



**Mr. Lasantha Wickremasinghe**  
 FCA, FMAAT  
**Vice-President**  
 Partner of B R De Silva & Co. and Alles Martin & Co.

Chairman of Committee for Improvements in Transparency, Accountability and Governance (ITAG), SAFA Committee 2013/14



**Mr. Sujeewa Rajapakse**  
 FCA, MBA  
**Immediate Past President**

Managing Partner of BDO Partners, Chartered Accountants, Board Member of Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB), the Securities and Exchange Commission (SEC), the Postgraduate Institute of Management (PIM) and the National Institute of Business Management (NIBM)., Member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka, Technical Advisor for Confederation of Asian Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA) (2013) and currently serves on the Board of Directors of National Development Bank, Asian Alliance Insurance PLC, Haycarb PLC and Dipped Products PLC. Member of the National Pay Commission.



**Mr. Sanjaya Bandara**  
 FCA, MBA (Colombo), BSc (Accy.) Sp.  
 Partner of B R De Silva & Co.



**Mr. Channa Manoharan**  
 FCA, FCMA  
 Advisory Leader/Chief Operating Officer, PricewaterhouseCoopers.



**Mr. Dhammika Nanayakkara**  
 ACA, FCMA, CFSA, MSc. (Finance) American University, Washington D.C., BSc. (Sp)  
 Superintendent/Registrar of Public Debt, Central Bank of Sri Lanka.



**Mr. Jagath Perera**  
 FCA, BSc. (Bus. Admin.) Sp. CFE (USA)  
 Partner, KPMG, Chartered Accountants.



**Ms. Coralie Pietersz**  
 FCA, BSc (Hons), MBA  
 Finance Director, Finlays Colombo PLC.

Highlights of the Year - 08  
 President's Message - 10  
 Secretary/CEO's Message - 14  
 Review of the Year - 18  
**Stewardship - 46** ←  
 Financial Reports - 68  
 Annexes - 131



**Mr. T Dharmarajah**  
 FCA, BSc, FMAAT, DA  
 Partner of Amarasekera & Co.,  
 Chartered Accountants, Member  
 of Council - University of  
 Sri Jayewardenepura



**Mr. Manil Jayesinghe**  
 FCA, FCMA  
 Partner of Ernst & Young  
 Member of the SAFA Education,  
 Training and Continuous Professional  
 Development (CPD) Committee  
 (2013/14)



**Mr. Shantha Kurumbalapitiya**  
 FCA, FCMA, CGMA  
 Director Commercial, Serendib  
 Leisure Management Ltd.



**Mr. Heshana Kuruppu**  
 FCA, BSc (Accy.) Sp. Hons.,  
 MBA, MFE, ASCMA  
 General Manager, Trischel Fabric  
 (Pvt) Ltd., MAS Holdings.



**Mr. H A S Samaraweera**  
 FCA, BCom. (Sp.), ACMA,  
 CCAF-FCVI  
 Retired Auditor General, Auditor  
 General's Department.



**Mr. Shan Shanmuganathan**  
 FCA, FCMA  
 Chairman, Finder 2000 (Pvt) Ltd.,  
 Director, Vallibel Power Erathna PLC  
 and Director, Grains 'N' Green  
 (Pvt) Ltd.



**Mr. Tishan Subasinghe**  
 FCA, MBA (Finance) (Col.),  
 CISA-USA, ACMA  
 Technical and Human Capital  
 Development Partner, BDO Partners.



**Mr. Lucille Wijewardena**  
 FCA, MBA  
 Director, Regency Teas (Pvt) Ltd.,  
 Softlogic Capital PLC.



**Mr. Aruna Alwis**  
 MBA, MBCS, Dip. in Bus. Admin  
 Secretary/Chief Executive Officer

**Secretary's Division**

**Mr. Aruna Alwis**  
 MBA, MBCS, Dip. in Bus. Admin  
 Secretary/  
 Chief Executive Officer

**Administration**

**Thushara Yasarathna**  
 BSc Applied Sciences (Sp.) Hons.  
 Manager - Administration

**Mr. Nishantha Pushpakumara**  
 BSS (Sp.)  
 Deputy Manager Event

**Association of Public Finance Accountants of Sri Lanka**

**K L Perera**  
 FCA, B.Com. (Sp.)  
 Consultant - Public Sector

**Business School**

**Ms. Nilukshi Thambimuttu**  
 FCA, ACMA (UK), CMA (Aus.), CGMA, MBA (PIM USJ)  
 Head of Business School

**Mr. Nuwan Dishan**  
 ACIM, Dip. Marketing  
 Deputy Manager - CPD

**Ms. Nabeeha Siddique**  
 MBA (UK)  
 BA (Hons.) (UK)  
 Deputy Manager - Business School

**Education and Training**

**Mr. Harsha Gunasena**  
 FCA, MBA (USJP)  
 Director Education and Examination

**Ms. Nimanthi Gamage**  
 ACA, BSc Business Administration (Special)  
 Manager - Training

**Ms. Kalani Ariyaratne**  
 BA (Kelaniya) Social Statistics (Sp.)  
 1st class Hons.  
 Deputy Manager - Training

**Ms. Dilini Jayasinghe**  
 B.B. MGT (Finance)  
 Special (1st Class Hons.)  
 CIMA Passed Finalist, AAT (Sri Lanka)  
 Manager - Education

**Examinations Division**

**Mr. W W G Dayananda**  
 FCA, MBA, HNDA, HNDC, FPFA  
 Consultant - Examinations

**Mr. Thusitha Liyanagamage**  
 MBA (UK), BSc Edu. Sp. (2nd upper) (India), DAE Sp. (Ruhuna), HDE (Aquinas), MIM (SL)  
 Manager - Examinations

**Ms. Nadeeshani Dissanayake**  
 BSc Accounting. Sp. (1st class), FCA, ACMA, CPA (Aus.)  
 Manager - Examinations - Technical

**Mr. J A Geeth Maduranga**  
 MBA in IT (Moratuwa), BSc (Honors) in MIS (UCD Ireland), MBCS, MCSSL, HDCBIS (NIBM), DCSD (NIBM)  
 Deputy Manager - IT (Examinations)

**Ms. Yashodha Kulawardena**  
 MBA (Finance), BSc Accounting Special (USJP), Advanced Diploma in MA (CIMA)  
 Deputy Manager - Examinations - Technical

**Ms. Sudanthi Levangama**  
 BSc. Mathematics, Operational Research, Statistic and Economic (MORSE), University of Warwick UK, ACA-(ICA England & Wales - ICAEW)  
 Deputy Manager Examinations.

**Finance Division**

**Ms. Dinushini Keppetigoda**  
 ACA, BSc Accounting Sp. (1st Class Hons.)  
 Head of Finance

**Ms. Janani Danansuriya**  
 MP Acc.  
 B. Busi. (Acc. Mgt.)  
 CPA (Aus.)  
 Accountant

**HR**

**Ms. Wasana Liyanage**  
 BSc (Business Administration) - USJ, PQHRM (IPM)  
 Deputy Manager - HR & Council Affairs

**ICT Division**

**Mr. Gayan Wickramasinghe**  
 BSc Engineering (UoM), MBA (India), MBCS (UK), MIET (UK), MCSSL (SL)  
 Chief Information Officer

**Mr. Roshan Ruwendra**  
 BSc, Physical Science (UoC)  
 Manager - IT

**Mr. Nirosha Illangasinghe**  
 BSc. IT (SLLIT), MCSE - Security, Messaging System & Database Administrator

**IT Training Division**

**Mr. Ajith Samarathunga**  
 BSc in Computing and Information Systems, PGDBM (Uni. Wayamba), Advanced Diploma in Marketing (CIM-UK)  
 Manager - IT Training

### **Library**

#### **Mr. Sarath Kumara**

MSSc. (Lib. Sc.), BA  
(Hons.) Sp., Chartered  
Librarian, ASLLA  
Librarian

### **Marketing Division**

#### **Mr. Lasantha Amarakoon**

MBS (Merit),  
MCIM,  
Dip. in MK (UK),  
P.G. Dip. in MKT (UK),  
B.Com. (Marketing) Sp.,  
Head of Brand

#### **Ms. Wayomi Gunathilaka**

B.B. (Mgt.) Mktg. Spc.  
(Hons.), ACMA, CGMA  
Manager - Brand  
and Corporate  
Communication

#### **Ms. Munza Mushtaq**

Dip. in Journalism and  
Mass Com.  
Creative Editor

### **Member Relations**

#### **Mr. Senaka Abeyakoon**

MBA (Aus.) MCIM (UK),  
Dip. M (UK),  
Director - Member  
Relations

### **Multimedia English Language Centre**

#### **Ms. Achala Kodikara**

MA (UK), PGDE, BA, Dip.  
TESOL (UK), Dip. (TESL)  
Manager - Multimedia  
English Language  
Centre (MELC)

### **School of Accounting and Business**

#### **Dr. T B Andarawewa**

BBA (Vid), MPA (PIM),  
PG. Dip. in Local Govt.  
& Devolution of Powers  
(UoC), PG Dip. in  
educational Resources  
and Development, ITI -  
Sydney Australia, Doctor  
of Management (RUSL).  
Director - School of  
Accounting and Business

#### **Mr. S N W M Wijerathna Banda**

MBA in HRM (PIM-  
USJ), MEd (PDN)  
B.Com. SP (Hons.)  
(PDN) PGDE (PDN),  
Dip. in Counselling and  
Guidance (SLFI)  
Registrar - School of  
Accounting and Business

#### **Ms. Jenita Foenander**

Executive Diploma in  
Business Administration  
and Higher Dip. in  
International Relations  
Manager Marketing  
(School of Accounting  
and Business)

### **School of Taxation**

#### **Ms. Nandani Abrew**

BSc (Pub Finance &  
Taxation 2nd Class)  
Manager - Taxation

### **Student Services & Promotions**

#### **Ms. Sujeewa Munidasa**

Dip. in IT  
Manager - Student  
Registration

### **Technical Division**

#### **Upendra Wijesingha**

FCA, ACMA (UK), ACMA,  
ACCA, ACIM, ACPM,  
CGMA, Bsc Accountancy  
Head of Technical

#### **Ms. Hiranthi Wijetunge**

BSc Accounting Sp.  
(1st class), ACA  
Manager - Technical

#### **Ms. Chaturani Jayanetti**

BSc Accounting Sp.  
(1st Class), ACA  
Manager - Technical

#### **Ms. Navin Peiris**

FCA, ACMA, SAT  
Manager - Technical

#### **Ms. Nilangi Dilrukshi**

BSc Accounting Sp.  
(1st class), ACA  
Manager - Technical

#### **Ms. Prabodha Daulagala**

BBM (1st Class) (Bachelor  
of Business Management)  
International Liaison  
Officer

### **Act of Incorporation**

The Institute of Chartered Accountants of Sri Lanka (the Institute) was established by an Act of Parliament for the purpose of promoting theory and practice of accountancy, enrolling, educating and training members and for preserving the professional independence of accountants, among other objectives.

As a result, the provisions relating to the governance of the Institute are primarily contained in the said Act, viz. Act No. 23 of 1959 as amended by Act. No. 16 of 1964, Act No. 34 of 1975 and Act No. 15 of 1998. It contains detailed provisions relating to the Council, Elections, President, Vice-President, Secretary, Members, Students, Staff, Auditors, Accounts and Annual Meeting. In addition, there are several laws and regulations, manuals, guides and policy documents that are relevant for the governance of the Institute. Please refer to Section on Other Relevant Laws and Regulation for further reference.

### **Commitment to Good Governance**

As much as the Institute encourages corporates to practice good governance through the 'Code of Best Practice on Corporate Governance' issued jointly with the Securities and Exchange Commission (SEC) of Sri Lanka, the Institute mandates its own members to act in accordance with the highest ethical standards of honesty and integrity as per the Code of Ethics. The Institute is cognisant of the importance of upholding the virtues of good governance practices in the conduct of its own operations and is committed to doing so and has developed various structures, processes, mechanisms and modalities to achieve this objective and these are further enhanced and developed as complexities of operations and the environment increase.

### **The Council**

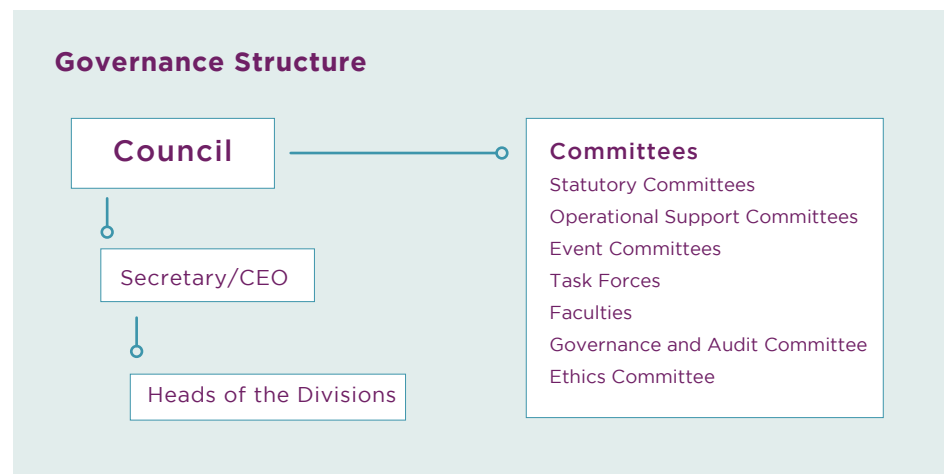
As the apex governance body, the Council consisting of 16 elected representatives of members and members nominated by the Government is responsible for the overall governance of the Institute. The Council provides strategic direction to the Institute and deliberates and approves long term and short-term strategies, business plan, policies and initiatives and recommendations proposed by various committees formed to assist the Council. The Council also approves the annual budgets, financial statements and major capital expenditure on the recommendation of the Operational Review Committee. As per the provisions of the Act, the Council consists of a President, a Vice-President and fourteen other members; eight of whom are appointed by the Minister under whose purview. The Institute is gazetted while the other eight including President and Vice-President are elected by the members of the Institute. Elections are conducted every two years in accordance with pre-set rules and regulations for the purpose of electing the Vice-President and six council members. As per the provisions relating to the President, the Vice-President becomes the President for the next term at

the completion of his tenor of vice-presidency. The provisions relating to the election of Council members and nominations of the Minister enable the Institute to ensure diversity in the composition of the Council, helping it to earn the trust and confidence of all stakeholders and deliver on the objectives stated in the Act of Incorporation and thereby progressively steer the Institute to even higher levels. The term of office of members of the Council is limited to two years. (The names and profiles of the Council members who are currently holding office are given on pages 48 and 49 and the names and attendance of Council members who held office in 2013/14 are given on page 58). Accordingly, the Council governs the Institute as per the general powers conferred on it by the provisions of Act No. 23 of 1959 as subsequently amended, in the discharge of its duties. In the process, it has laid solid foundations for the management and oversight of the affairs of the Institute.

While the Council has the overall responsibility for control and management of the Institute, it has delegated certain powers and duties to its committees, Secretary/CEO and management staff to manage the day-to-day operations and implementation of strategy and policy initiatives. In 2010, Council approved the four-year business plan covering the period 2010 to 2014 incorporating the direction and strategic priorities of the Institute. During the year, the Council conducted two business plan review sessions in order to ensure that the key milestones of the business plan were achieved. The Council noted the key achievements and the progress made against the business plan 2010-2014. The next business plan is being developed and the plan for 2015 is already established.

### The Governance Structure

The governance structure of the Institute as at 31st December 2014 is depicted in the following diagram:



### **The Committees - 2013/14**

As permitted by the provisions of the Act, there are Statutory Committees and committees appointed by the Council comprising of Council members as well as Non-Council members of the Institute to deal with specified subjects and has laid down rules for regulating the proceedings of these committees. The Sri Lanka Accounting and Auditing Standards Act No 15 of 1995 provides the necessary guidance for the 'Statutory Accounting Standards Committee' and 'Statutory Auditing Standards Committee' in assisting the Council of the Institute in the development of Sri Lanka Auditing Standards and Sri Lanka Accounting Standards. The rest of the committees are appointed by the Council for a term of 2 years. Council approves the Terms of Reference for each of those committees at the beginning of the term. Total number of members serving in the committees are over 300. These members serve free of charge in the capacity of honorary members sharing their knowledge and experience in the process of formulation and implementation the strategy, providing policy directions and support executing the operations, to achieve the Institute's objectives while delivering value to all its stakeholders extended up to general public. Therefore, the wider membership has a significant influence on what the Institute does and its direction.

### **Operational Review Committee (ORC)**

ORC is the Executive Committee which has been appointed by the Council to deliberate and advise the Council on operations, process improvements, finance and investment activities of the Institute and provides oversight to these activities. ORC is chaired by the Vice-President of the Institute. ORC deliberates the annual budget of the Institute which consists of Statement of Comprehensive Income, capital expenditure budget, Statement of Financial Position and the Statement of Cash Flow and makes recommendations to the Council. ORC deliberates and approves the event budgets submitted through the respective committees and reviews the actual income and expenditure statements of the events, monthly financial statements, procurements for the month, new investments for the month and investment portfolio at the end of the period. ORC also makes recommendations to council on the annual fee revision, signatories and signatory limits to bank accounts, opening up of new bank accounts and closing bank accounts, approves the monthly and annual financial statements and other important policy decisions. Investment Committee approves short-term and long-term investments in the capacity of a Sub-committee to the ORC.

### **Premises and Physical Infrastructure Improvement Committee**

The infrastructure developments of the Institute has become very significant in the recent past with the construction of the new building and refurbishment to remaining parts of the old building. As a result, the Council appointed the Premises and Physical Infrastructure Improvement Committee to advise the Council and make recommendations on the new construction projects. Additions and alterations to the buildings, improvements to the infrastructure facilities and maintenance of the premises. Total project cost and cost escalations are submitted to the Council for approval through Building Committee. The Building Committee approves the progress bills based on the consultants' certification followed by the independent consultants' confirmation.

## Committees of The Institute

The individual committees set up under each of the broader categories of committees referred to in the below diagram:

| Committee  | Chairman                        | Alternate Chairman                | Secretary             |
|--|---------------------------------|-----------------------------------|-----------------------|
| <b>Governance Committees</b>                                       |                                 |                                   |                       |
| Audit Committee  | Nirmal Fernando                 | -                                 | Lalith Fernando       |
| Remuneration Committee   | Arjuna Herath                   | Lasantha Wickramasinghe           | Aruna Alwis           |
| <b>Statutory Committees</b>  |                                 |                                   |                       |
| Statutory Accounting Standards Committee                           | Sujeewa Mudalige                | Manil Jayasinghe                  | Upendra Wijesinghe    |
| Statutory Auditing Standards Committee                             | Sujeewa Rajapakse               | Suren Rajakarier                  | Navini Peiris         |
| <b>Operational Support</b>   |                                 |                                   |                       |
| Operational Review Committee                                       | Lasantha Wickramasinghe         | Jagath Perera                     | Dinushini Keppetigoda |
| Professional Conduct (Ethics) Committee                            | Reyaz Mihular                   | Arjuna Herath                     | Aruna Alwis           |
| Public Sector Accounting Standards Committee                       | V Kanagasabapathy               | H A S Samaraweera                 | K L Perera            |
| Students Training and Development Committee                        | Manil Jayesingha                | Sanjaya Bandara                   | Nimanthi Gamage       |
| Brand Development and Corporate Communications Committee           | Shantha Kurumbalapitiya         | Coralie Pietersz                  | Lasantha Amarakoon    |
| Member Relations Committee   | Sanjaya Bandara                 | S Munaweera                       | Senaka Abeyakoon      |
| Student Promotions and Student Services Committee                  | T Dharmarajah                   | -                                 | Sujeewa Munidasa      |
| Examinations Committee   | Jagath Perera                   | Channa Manoharan                  | Thusitha Liyanagamage |
| Business School Committee  | Sujeewa Rajapakse               | Anura Perera                      | Nilukshi Thambimuttu  |
| Taxation Committee   | Denzil Rodrigo                  | Hiranthi Ratnayake                | Nandani Abrew         |
| Association of Public Finance Accountants of Sri Lanka             | V Kanagasabapathy               | H A S Samaraweera                 | K L Perera            |
| Urban Schools and Non-Commerce Stream Student Promotions Committee | Coralie Perterz                 | Dulitha Perera                    | Sujeewa Munidasa      |
| CPD Committee  | Channa Manoharan                | Nanda Bandara                     | Nilukshi Thambimuttu  |
| Professional Accountants in Business Committee                     | Nandika Buddhipala              | Heshana Kuruppu                   | Hiranthi Wijetunge    |
| Corporate Governance Committee                                     | Asite Talwatte<br>(Co-Chairman) | Sujeewa Mudalige<br>(Co-Chairman) | Hiranthi Wijetunge    |

| Committee   | Chairman                | Alternate Chairman      | Secretary                          |
|---|-------------------------|-------------------------|------------------------------------|
| Risk Committee  | Nanda Bandara           | -                       | Aruna Alwis                        |
| Library and Journal Committee   | Shan Shanmunganathan    | Thivanka Jayasinghe     | Sarath Kumara/<br>Senaka Abeyakoon |
| Premises and Physical Infrastructure Improvement Committee                | Lucile Wijewardena      | -                       | Thushara Yasarathna                |
| ICT and Process Improvement Committee                                     | Priyanka Jayathillake   | Sanjeewa Bandaranayake  | Gayan Wickramasinghe               |
| Education and Curriculum Development Committee                            | Manil Jayasinghe        | Sanjaya Bandara         | Dilini Jayasinghe                  |
| Exemptions and Reciprocal Arrangements Committee                          | Nishan Fernando         | -                       | Dilini Jayasinghe                  |
| <b>Events Committees</b>  |                         |                         |                                    |
| National Conference Committee   | Heshana Kuruppu         | Chaaminda Kumarasiri    | Wayomi Gunathilaka                 |
| Conference Committee -Technical   | Nandika Buddhipala      | Anura Perera            | Prabodha Daulagala                 |
| Annual Report Awards Committee  | Tishan Subasinghe       | Anoji De Silva          | Chathurani Jayanetti               |
| Lifetime Achievement and Hall of Fame Committee                           | Mohan Abeynaike         | -                       | Aruna Alwis                        |
| <b>Task Forces</b>  |                         |                         |                                    |
| Strategic Planning Implementation and Review Committee                    | Arjuna Herath           | Lasantha Wickramasinghe | Aruna Alwis                        |
| Building Committee  | Lasantha Wickramasinghe | -                       | Thushara Yasarathna                |
| Quality Assurance Board   | Tissa Bandaranayake     | Deva Rodrigo            | Navini Pieris                      |
| Review of CA Sri Lanka Act  | Lal Nanayakkara         | Naomal Goonewardena     | Hiranthi Wijetunge                 |
| Steering Committee on World Bank Project                                  | Arjuna Herath           | Lasantha Wickramasinghe | K L Perera                         |
| BPO Task Force  | Channa Manoharan        | Aruna Perera            | Nilukshi Thambimuttu               |
| Sustainability and Integrated Reporting Task Force                        | Asite Talwatte          | Suresh Gooneratne       | Chathurani Jayanetti               |
| SMP Capacity Building Task Force  | Jagath Perera           | -                       | Navini Peiris                      |
| Financial Reporting Standards Implementation and Interpretation Committee | Nishan Fernando         | -                       | Chathurani Jayanetti               |

| Committee   | Chairman              | Alternate Chairman  | Secretary                |
|---|-----------------------|---------------------|--------------------------|
| SLFRS Education Committee                               | Sanath Fernando       | Kapila Atukorala    | Nilangi Dilrukshi        |
| Board of Management – School of Accounting and Business | Ganaka Amarasinghe    | -                   | S N W M Wijerathna Banda |
| Board of Studies – School of Accounting and Business    | Dr. T B Andarawewa    | -                   | S N W M Wijerathna Banda |
| <b>Faculties</b>  |                       |                     |                          |
| Taxation Faculty  | Duminda Hulangamuwa   | Shamila Jayasekera  | Nandani Abrew            |
| Audit Faculty   | Yohan Perera          | Manil Jayasinghe    | Navini Peiris            |
| Financial Reporting Faculty                             | Nilanthi Sivapragasam | Manil Jayasinghe    | Hiranthi Wijetunge       |
| IT Faculty  | Channa Manoharan      | Ashen Jayasekera    | Ajith Samaratinga        |
| Certified Business Accountants Committee                | J M U B Jayasekera    | Dammika Nanayakkara | Senaka Abeyakoon         |

#### Other Societies and Associations of The Institute

| Name of the Associations/Society       | President              | Vice-President          | Secretary           |
|--|------------------------|-------------------------|---------------------|
| Practicing Chartered Accountants Forum | I B Dickson Jayasinghe | Gamini Uduwara Arachchi | V Sivagurunathan    |
| Members' Benevolent Society            | Chandrasiri Kalupahana | W D L Dushmantha        | Indrajith Manodara  |
| Young Chartered Accountants' Forum     | Dulitha Perera         | Vindya Cooray           | Sachiru Dayananda   |
| Toastmasters Club                      | Indrajith Manodara     | Keerthi Delwatta        | Leela Weerasuriya   |
| Student Society                        | E Ruchira Perera       | Malan Anthony           | Prashan Muthugala   |
| Students Gavel Club                    | Buddhi Pathiraja       | Prasad Dilrukshana      | Shaluka Jayawardana |

#### Secretary/Chief Executive Officer

The Council has appointed a Secretary for the Institute. He is responsible for effectively and efficiently managing the Institute on behalf of the Council and implementing the strategy and policy initiatives approved by the Council.

#### Remuneration Committee

On behalf of the Council, the Remuneration Committee comprises the President, Vice-President and a Council member. Remuneration Committee reviews annual performance of the Secretary/CEO and the management against the objectives and key performance indicators set out in the business plan and agreed upon at the beginning of each year and recommends to Council on revisions to remuneration of the staff.

### Attendance at Council Meetings

Council members' attendance against their mandate to attend at each of the Council meetings held during 2014 is given below:

| Name                       | No. of Meetings |         |
|----------------------------|-----------------|---------|
|                            | Attended        | Mandate |
| 1. Arjuna Herath           | 20              | 20      |
| 2. Lasantha Wickramasinghe | 18              | 20      |
| 3. Sujeewa Rajapakse       | 11              | 20      |
| 4. Sanjaya Bandara         | 14              | 20      |
| 5. T Dharmarajah           | 10              | 20      |
| 6. Manil Jayesinghe        | 15              | 20      |
| 7. Shantha Kurumbalapitiya | 14              | 20      |
| 8. Heshana Kuruppu         | 15              | 20      |
| 9. Coralie Pietersz        | 16              | 20      |
| 10. Channa Manoharan       | 16              | 20      |
| 11. Dhammika Nanayakkara   | 6               | 20      |
| 12. Jagath Chandana Perera | 18              | 20      |
| 13. H A S Samaraweera      | 8               | 20      |
| 14. Shan Shanmuganathan    | 14              | 20      |
| 15. Tishan Subasinghe      | 15              | 20      |
| 16. W L P Wijewardena      | 14              | 20      |

### Transparency, Maintaining Independence and Avoiding Conflict of Interest

The Council and Committee members maintain certain norms and standards to be transparent and independent in performing their role. It has been the practice of the Council and Committee members to excuse from the Examinations Committee if a dependent was sitting for CA examinations.

The Ethics Committee too observes such practices when a committee member has a conflict of interest.

The Council and Operational Review Committee members declare the conflict of interest, if any, beforehand and abstain from participating in discussions and deliberations in making decisions on financial matters.

All related party transactions are disclosed in the Notes to the financial statements.

### **Other Relevant Laws and Regulations**

Apart from the provisions of the Act No. 23 of 1959 as subsequently amended, the Institute has complied with laws and regulations which are applicable and relevant in the governance of the Institute.

The Institute follows all applicable labour laws including the Shop and Office Act, regulations promulgated by the Minister. The Institute's financial statements are prepared in accordance with the currently applicable SLFRSs and the external audit is conducted in accordance with the applicable Auditing Standards.

### **Relationships with International Bodies**

International Federation of Accountants (IFAC) is the global organisation for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. It is comprised of 175 members and associates in 130 countries and jurisdictions, representing approximately 2.5 million accountants in public practice, education, Government service, industry and commerce. The Institute holds full membership of IFAC.

The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 has empowered the Institute to promulgate and adopt Sri Lanka Accounting Standards and Sri Lanka Auditing Standards in the country. The observance of the said standards are mandatory for Specified Business Enterprises (SBEs) in Sri Lanka. The Act provides the necessary guidance for the 'Statutory Accounting Standards Committee' and 'Statutory Auditing Standards Committee' in assisting the Council of the Institute in the development of these standards.

The Institute maintains a close relationship with the International Accounting Standards Board (IASB). IASB provides technical assistance in standard-setting activities and has granted permission to use International Accounting Standards and International Financial Reporting Standards in the development of our own standards and to reproduce them wherever necessary.

The Confederation of Asian and Pacific Accountants (CAPA) represents national professional accounting organisations in the Asia-Pacific Region. Today, CAPA has a membership of 31 Accounting organisations in 24 jurisdictions. CAPA is by far the largest regional accounting organisation and its geographical area spans half the globe. The Institute holds full membership of CAPA.

South Asian Federation of Accountants (SAFA), an apex body of SAARC is a forum of professional accountancy bodies in the SAARC Region and is committed to positioning, maintaining and developing the profession in its member countries and ensuring its continued eminence in the world of accountancy; in the public interest and towards broad economic development of the region.

### Disclosures

This Annual Report contains disclosures relating to the following in the pages marked:

- Profiles of the members of the Council (pages 48 and 49)
- Profiles of the management staff (pages 50 and 51)
- Related party transactions (page 125)
- President's Message and Secretary/CEO's Message (page 10 to 14)
- Responsibility Statement of the Management (page 69)
- Auditor's Report (page 70)
- Audit Committee Report (page 62)

### Governance and Audit Committee

The Governance and Audit Committee has written terms of reference which deal with its authority and duties. It has been established for the purpose of assisting the Council in fulfilling its oversight responsibilities regarding the integrity of the financial statements, risk management, internal control and compliance with legal and regulatory requirements, make recommendations regarding appointment of Internal and External Auditors, review of External Auditor's performance and independence and internal audit function.

### External and Internal Audits

External and Internal Auditors further strengthen the governance practices of the Institute. They are appointed by the Council based on the recommendations of the Audit Committee. It has been customary for the Institute to change the External Auditor once in every two years. Audit Committee meets the external auditors before, after and while conducting the audit. The external audit plan is discussed by the Audit Committee before the commencement of the audit.

The quarterly internal audits have been outsourced to a firm of Chartered Accountants. Internal Audit Reports are tabled and discussed at the Audit Committee meetings and minutes and matters of importance are reported to the Council. The internal audit plan is deliberated and agreed by the Audit Committee at the beginning of each financial year.

### **Risk Management**

In order to protect the Institute's reputation and to manage the risks it is exposed to in its journey to achieve the objectives, The Institute has set up a risk management framework that continues to evolve. These risk management efforts too complement the Institute's governance framework. The risk management framework is given on pages 64 to 67.

### **Preparation of Financial Statements**

The financial statements of the Institute have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute. The financial statements are certified by the Head of Finance and are approved by the Council and signed by the President and Vice-President.

### **Periodic Reporting Requirements**

A number of periodic reporting requirements as detailed below further strengthen the good governance of the Institute:

Monthly and quarterly financial statements are presented to the Council through the Operations Review Committee. At the earliest possible opportunity, the financial statements for the preceding year are published in the Government Gazette. Copies of the financial statements are also furnished to the Minister of the Ministry of Co-operatives and Internal Trade and each member of the Institute. Quarterly Internal Audit Reports are submitted to the Audit Committee. Audit Committee minutes and observations are reported to the Council on a regular basis.

The Governance and Audit Committee is formally constituted as a Sub-committee of the council, to which it is accountable and consists of eight independent, non-council members appointed by the council. The Governance and Audit Committee complements the Council's attempts to permeate good governance practices.

The Governance and Audit Committee has the following primary objectives:

- a. Monitor and oversee the Institute's governance-related matters;
- b. Monitor and oversee the integrity of the Institute's financial and non-financial reporting process and systems of internal control regarding finance, accounting, service delivery and legal compliance;
- c. Monitor and oversee the work of the Internal Auditor, External Auditor, review the independence and performance of the Internal and External Auditors and make recommendations regarding their appointments or reappointments to the Council;
- d. Provide an avenue of communication among External Auditor, Internal Auditor, management and the Council; and
- e. Recommending financial statements to the Council for approval.

### **Compliance with Financial Reporting**

The Institute has complied with the Sri Lanka Accounting Standards. The Audit Committee considered the quarterly and annual financial statements and reviewed the Annual Report including the financial statements prior to publication. The review included:

- Appropriateness and changes in accounting policies.
- Significant estimates and judgment made by the management.
- Compliance with relevant Accounting Standards and applicable regulatory requirements.
- Adequacy of impairment provision against assets.
- Issues arising from the internal and external audit.

### **Risk Management**

The Audit Committee meets the Internal Auditors on a quarterly basis and reviews their findings in order to identify effectiveness of internal controls and risks attached to different areas of operation of the Institute.

### **Compliance with Laws and Regulations**

The Governance and Audit Committee reviewed the reports submitted by the management and Internal Auditors on the state of compliance with applicable laws and regulations and settlement of statutory payments.

### **Internal Controls**

The committee is satisfied that an effective system of internal controls is in place to provide reasonable assurance on safeguarding of the Institute's assets and reliability of financial statements. Effectiveness of the Institute's system of internal controls is evaluated through reports provided by management, Internal Auditors and External Auditor.

### Internal Auditors

The internal audit is outsourced to Messrs SJMS Associates, a firm of Chartered Accountants. Internal Auditors directly submitted their findings to the Governance and Audit Committee quarterly and their reports were made available to External Auditor. Audit Committee observations and matters of importance were reported to the Council.

The Governance and Audit Committee monitors and reviews:

1. The coverage of the annual audit plan.
2. The follow-up action taken on the recommendation of the Internal Auditors.
3. The internal audit programmes and results of the internal audit process.
4. Effectiveness of the internal audit functions.

### External Auditor

Audit Committee makes recommendation to Council with regard to the appointment of the External Auditor based on predefined policy with set of criteria. The Audit Committee reviewed the independence and objectivity of the External Auditor Mr. Lalith Senanayake, Chartered Accountant. The Governance and Audit Committee has met with the External Auditor to review the annual audit plan and financial statements during the annual audit and also discussed his findings.

### Meetings of Governance and Audit Committee

Six Audit Committee meetings were held during the year ended 31st December 2014 which satisfied the required forum of three committee members including the Chairman. The Internal auditors attended the meetings quarterly.

| Audit Committee Members           | Meetings Attended/<br>Meetings Eligible |
|-----------------------------------|---|
| 1. Mr. Nirmal Fernando - Chairman | 6 out of 6                              |
| 2. Mr. Lalith Fernando            | 4 out of 6                              |
| 3. Mr. Nishan Fernando            | 4 out of 6                              |
| 4. Mr. Nanda Bandara              | 4 out of 6                              |
| 5. Mr. T Someswaran               | 4 out of 6                              |

### Conclusion

The Governance and Audit Committee is satisfied that the effectiveness of the structure of the Institute and the implementation of the Institute's accounting policies and operational controls provide reasonable assurance that the affairs of the Institute are managed in accordance with policies and that the Institute's assets are properly accounted for and adequately safeguarded.



**Nirmal Fernando**  
Chairman – Audit Committee

Colombo  
1st April 2015

## **Introduction to Risk Management Process at the Institute**

Risk management is a central part of the Institute strategic management process with the goal of achieving sustainable growth.

Institute believes that the risk management should be a continuous and developing process which runs throughout the Institute strategy and the implementation of that strategy. Understanding of the potential upside and downside risks increases the probability of success, and reduces both the probability of failure and the uncertainty of achieving the Institute's overall objectives.

## **Risk Definition**

Risk can be defined as the combination of the probability of an event and its consequences. In all types of undertaking, there is the potential for events and consequences that constitute opportunities for benefit (upside) or threats to success (downside).

It can be further explained as the probability of loss or damage to the property and/or reputation that could arise from the occurrence of an event due to internal or external factors. While most of the risks could be avoided/managed through pre-emptive action, proper management thereof may also have an upside.

CA Sri Lanka faces a multitude of risks when conducting its 'business' with a view to realising its Vision, Mission and Objectives while upholding Core Values. The Institute is also cognisant of the fact that the risks, if well managed, will have an upside potential too.

## **Role of the Council on Risk Management**

The Council has the overall responsibility for setting out the risk management policy and risk management framework of the Institute.

It is the role of the Council to -

- (a) Set the tone of and culture for risk management within the Institute
- (b) Approve major decisions affecting the Institute's risk profile or exposure
- (c) Periodically review the approach to risk management and make necessary improvements
- (d) Monitoring high and significant risks, and the effectiveness of associated controls through the review and discussion with CEO and management.

## **Role of the Operations Review Committee (ORC)**

ORC is responsible for the setting up of the risk committee and recommending committee members to the council.

### Role of the Risk Committee

Risk Committee is responsible for the formulation of the risk management framework and assessment of risk.

It is the role of the Risk Committee to -

- a) Provide guidance to the management on setting up and ongoing monitoring of the risk management framework and make recommendation for improvements
- b) Review of risks assessment
- c) Review of risks items and identifying key risks items affecting the Institute

### Role of the CEO

It is the responsibility of CEO to review the risks that are associated with CA Sri Lanka as per the risk management framework and recommend as appropriate action to the respective committee and the Council.

### Types of risks faced by the Institute have been categorized into three categories:

1. Reputational Risk
2. Operational Risk
3. Financial Risk

### Risk Management Measures

Tabulated below is a summary of the broader categories of risks that the Institute is exposed to along with the specific risk elements coming under each of those broader risks and the risk management measures in place.

| Reputation |  |  |   |
|------------|--|--|---|
|            | Risk Element   | Implication  | Mitigating Measures   |
| <b>R1</b>  | Development of irrelevant syllabus product and qualification | Loss of relevance of the new syllabus<br>Decrease in demand for the qualifications<br>Lack of new products being introduced and existing products not being upgraded | <ul style="list-style-type: none"> <li>• Ongoing monitoring and continuous improvements to the CA curriculum and other learning programmes</li> <li>• Accreditation of syllabus by global bodies</li> <li>• Close monitoring by council and committees</li> <li>• Periodic market research on the demand and acceptance of the qualification</li> </ul> |

## Reputation

| Risk Element                      | Implication   | Mitigating Measures   |
|-----------------------------------|---|---|
| <b>R2</b> Poor conduct of members | Loss of brand reputation<br>Loss of market share<br>Poor employability of members | <ul style="list-style-type: none"> <li>• Code of conduct and ethics and Ethics Committee</li> <li>• Monitoring CPD compliance</li> <li>• CPD seminars and Accounting and Auditing Standards seminar series focusing new developments in the field of accounting</li> <li>• Audit Quality Assurance (AQA) programmes and AQA reviews</li> <li>• Audit tool kit, training programmes and workshops</li> </ul> |

## Operational

| Risk Element  | Implication   | Mitigating Measures   |
|---|---|---|
| <b>O1</b> Poor student experience of CA products and services | Failure to meet student expectations<br>Failure to provide the range and structure of courses that meet the expectations of student/poor product offering<br>Failure to meet teaching quality and standard of facilities up to the expectations of the students | <ul style="list-style-type: none"> <li>• Customer satisfaction surveys</li> <li>• Ongoing monitoring and continuous improvements to the curriculum and services</li> <li>• Monitoring of the business plan and overlook by the council</li> <li>• Improved communication with schools, colleges and industry</li> <li>• Monitoring and supervision of the operation by the committees and management</li> <li>• Continuous review of student service functions.</li> <li>• Establishment of a call centre</li> <li>• Review of the quality of teaching and infrastructure of teaching colleges by Education Committee</li> <li>• Registration of teaching colleges towards accreditation</li> </ul> |

## Operational

| Risk Element                            | Implication   | Mitigating Measures  |
|---|---|--|
| <b>O 2</b> Poor exam delivery standards | Failure to meet exam delivery standards<br>Inaccurate assessment of student performance at examination  | <ul style="list-style-type: none"> <li>• Closely monitoring of operations by the Exam Committee</li> <li>• Clearly laid down operational procedures and internal controls for conducting examinations</li> <li>• System and physical access controls</li> <li>• Post-exam reviews with students and lecturers</li> <li>• Policies and procedures manual</li> <li>• Regular training for paper setters and examiners</li> </ul> |
| <b>O 3</b> Poor HR practices            | Failure to attract staff of good calibre and standing<br>Failure to develop and retain high quality staff<br>Failure to adhere to employment legislation and standards of good practice<br>Risk of dependency on key managerial persons<br>Loss of market share | <ul style="list-style-type: none"> <li>• Periodic review of remuneration packages</li> <li>• Periodic appraisal process</li> <li>• Review of unfilled positions</li> <li>• Monitoring staff turnover rates</li> <li>• Review of exit interview reports</li> <li>• Review of working environment</li> <li>• Regular review of policies and procedures</li> <li>• Monitoring and timely payment of statutory levies</li> </ul>   |
| <b>O 4</b> Instability of IT systems    | Disruption to IT systems<br>Disruption to teaching and/or support services.<br>Failure to provide accurate and complete information (operational and student/member management)<br>Disruption to support services<br>Damage to reputation                       | <ul style="list-style-type: none"> <li>• ICT Committee supervision</li> <li>• IT disaster recovery plan in place and regularly tested</li> <li>• Audit Reports on IT security</li> <li>• Regular penetration audits</li> <li>• Regular review of current and future requirements</li> </ul>  |

## Financial

| Risk Element   | Implication  | Mitigating Measures  |
|--|--|--|
| <b>F 1</b> Poor financial management and internal controls | Failure to meet financial liabilities<br>Failure to achieve financial targets<br>Fraud and theft | <ul style="list-style-type: none"> <li>• Diversify sources of income to decrease reliance on any one source</li> <li>• Business plan</li> <li>• Budgeting controls</li> <li>• Operational Review Committee supervision</li> <li>• System of internal control</li> <li>• Internal audit/External audit</li> </ul> |

# FINANCIAL REPORTS

The financial statements presented in this chapter have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka.

Responsibility Statement of the Management - **69**

The Report of the Auditor - **70**

Statement of Comprehensive Income - **71**

Statement of Financial Position - **72**

Statement of Changes in Funds and Reserves - **74**

Statement of Cash Flows - **75**

Notes to the Financial Statements - **77**

F B Lander Prize Fund - **129**

Cyril E Begbie Memorial Prize Fund - **130**

The financial statements comprise the statement of financial position (“SOFB”), statement of comprehensive Income (“SOCL”), statements of changes in funds and reserves (“SOCFR”), statement of cash flows and notes to the financial statements. These statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS’ and LKAS’) issued by the Institute of Chartered Accountants of Sri Lanka.

These financial statements also include statements of financial position of F B Lander prize fund and Cyril E Begbie Memorial Prize fund.

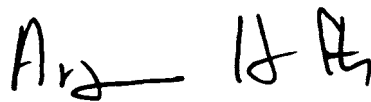
The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied by the Institute. There are no departures from the prescribed accounting standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation.

All significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with our external auditors and the audit committee.

We confirm that, to the best of our knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial position, results of operations and cash flows of the Institute as of and for, the periods presented in this annual report.

We have taken responsible measure to safeguard the assets of the institute and, in that context, have established appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The financial statements were audited by Mr. S.M.N.L.Senanayake, FCA, BSc. (Pub.Ad), Dip. (Mgt.Stu)



**Arjuna Herath**  
President



**Lasantha Wickremasinghe**  
Vice-President



**M A L Alwis**  
Secretary/Chief Executive Officer



**K C Dinushini**  
Head of Finance

**TO THE COUNCIL OF THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF SRI LANKA**

**Report on the Financial Statements**

I have audited the accompanying financial statements of The Institute of Chartered Accountants of Sri Lanka ("the Institute"), which comprise the statement of financial position as at December 31, 2014 and the statement of comprehensive income, statement of funds and reserves and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. I have also audited the statement of financial positions of F B Lander Prize Fund and Cyril E Begbie Memorial Prize Fund as at 31st December 2014.

**Management's Responsibility for the Financial Statements**

The Management is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements give a true and fair view of the financial position of the Institute, F B Lander Prize Fund and Cyril E Begbie Memorial Prize Fund as at December 31, 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



**S.M.N.L. Senanayake**  
Chartered Accountant  
Colombo

1st April 2015

| For the Year ended 31st December                        | Notes | 2014<br>Rs. '000 | 2013<br>Rs. '000 |
|---|-------|------------------|------------------|
| Direct income   | 3     | 762,773          | 653,545          |
| Direct expenditure                                      | 3     | (352,095)        | (309,054)        |
| <b>Contribution before employee costs and overheads</b> |       | <b>410,678</b>   | <b>344,491</b>   |
| <b>Other Income</b>                                     |       |                  |                  |
| Other operating income                                  | 4     | 3,729            | 5,672            |
| <b>Operating income</b>                                 |       | <b>414,407</b>   | <b>350,163</b>   |
| <b>Overhead Expenses</b>                                |       |                  |                  |
| Employee costs  | 5     | (181,012)        | (158,481)        |
| Maintenance of premises                                 | 6     | (55,098)         | (39,988)         |
| Depreciation and amortisation                           | 7     | (51,021)         | (44,898)         |
| Other expenses  | 8     | (37,355)         | (32,533)         |
| <b>Total overhead expenses</b>                          |       | <b>(324,486)</b> | <b>(275,900)</b> |
| <b>Net operating income</b>                             |       | <b>89,921</b>    | <b>74,263</b>    |
| Grants - Reimbursement of expenses and depreciation     | 21    | 24,077           | 50,599           |
| Grants - Total expenditure                              | 21    | (23,034)         | (48,333)         |
| Transfer to designated funds                            | 20    | (9,977)          | (9,121)          |
| Transfer to restricted funds                            | 21    | (6,959)          | (1,891)          |
| Transfer to endowment funds                             | 22    | (162)            | (236)            |
|   |       | (16,055)         | (8,982)          |
| Finance income  | 9     | 37,642           | 41,681           |
| <b>Surplus for the year before tax</b>                  |       | <b>111,508</b>   | <b>106,962</b>   |
| Income tax  | 26    | (7,406)          | (1,923)          |
| <b>Surplus for the year after tax</b>                   |       | <b>104,102</b>   | <b>105,039</b>   |
| <b>Other Comprehensive Income</b>                       |       |                  |                  |
| Fair value changes on available-for-sale investments    |       | (272)            | -                |
| Defined benefit plan actuarial gain/(loss)              | 24    | 683              | (955)            |
| <b>Total comprehensive income</b>                       |       | <b>104,513</b>   | <b>104,084</b>   |

The accounting policies and notes on pages 77 to 128 form an integral part of these financial statements.

| As at                                      | Notes | 31.12.2014<br>Rs. '000 | 31.12.2013<br>Rs. '000 |
|--|-------|------------------------|------------------------|
| <b>Assets</b>                              |       |                        |                        |
| <b>Non-Current Assets</b>                  |       |                        |                        |
| Property, plant and equipment              | 10    | 629,183                | 585,753                |
| Intangible assets                          | 11    | 43,117                 | 15,945                 |
| Library books                              | 12    | 1,377                  | 953                    |
| Loans and advances to staff                | 13    | 14,310                 | 14,365                 |
| Held-to-maturity financial assets          | 14    | 165,001                | -                      |
| Available-for-sale financial assets        | 15    | 39,916                 | -                      |
| <b>Total non-current assets</b>            |       | <b>892,904</b>         | <b>617,016</b>         |
| <b>Current Assets</b>                      |       |                        |                        |
| Inventories                                | 16    | 16,167                 | 24,200                 |
| Trade and other receivables                | 17    | 46,661                 | 26,064                 |
| Loans and advances to staff                | 13    | 2,721                  | 4,345                  |
| Held-to-maturity financial assets          | 14    | 100,935                | 348,146                |
| Non-current assets held-for-sale           |       | -                      | 141                    |
| Cash and cash equivalents                  | 18    | 101,022                | 30,362                 |
| <b>Total current assets</b>                |       | <b>267,506</b>         | <b>433,258</b>         |
| <b>Total assets</b>                        |       | <b>1,160,410</b>       | <b>1,050,274</b>       |
| <b>Funds and Liabilities</b>               |       |                        |                        |
| <b>Accumulated Fund and Reserves</b>       |       |                        |                        |
| Accumulated fund                           |       | 765,712                | 660,927                |
| Reserves                                   | 19    | 23,728                 | 24,000                 |
| <b>Total accumulated fund and reserves</b> |       | <b>789,440</b>         | <b>684,927</b>         |
| <b>Funds and Grants</b>                    |       |                        |                        |
| Designated funds                           | 20    | 26,929                 | 23,913                 |
| Restricted funds and grants                | 21    | 60,319                 | 36,009                 |
| Endowment funds                            | 22    | 2,053                  | 1,609                  |
| <b>Total funds and grants</b>              |       | <b>89,301</b>          | <b>61,531</b>          |

| As at                                | Notes | 31.12.2014<br>Rs. '000 | 31.12.2013<br>Rs. '000 |
|--------------------------------------|-------|------------------------|------------------------|
| <b>Non-Current Liabilities</b>       |       |                        |                        |
| Long-term borrowings                 | 23    | 829                    | -                      |
| Retirement benefit obligation        | 24    | 24,441                 | 23,018                 |
| <b>Total non-current liabilities</b> |       | <b>25,270</b>          | <b>23,018</b>          |
| <b>Current Liabilities</b>           |       |                        |                        |
| Trade and other payables             | 25    | 88,578                 | 64,597                 |
| Short-term borrowings                | 23    | 896                    | -                      |
| Income tax liability                 | 26    | 5,017                  | -                      |
| Receipts in advance                  | 27    | 142,126                | 197,156                |
| Bank overdraft                       | 18    | 19,782                 | 19,045                 |
| <b>Total current liabilities</b>     |       | <b>256,399</b>         | <b>280,798</b>         |
| <b>Total funds and liabilities</b>   |       | <b>1,160,410</b>       | <b>1,050,274</b>       |

The accounting policies and notes on pages 77 to 128 form an integral part of these financial statements.

These financial statements have been prepared and presented in compliance with Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka.



**K C Dinushini**  
Head of Finance



**Aruna Alwis**  
Secretary/Chief Executive Officer

Signed for and on behalf of the Council.



**Arjuna Herath**  
President



**Lasantha Wickremasinghe**  
Vice-President

Colombo  
1st April 2015

|  | Accumulated Fund<br>Rs. '000 | Capital Reserve<br>Rs. '000 | Available-for-sale<br>reserve<br>Rs. '000 | Total<br>Rs. '000 |
|--|------------------------------|-----------------------------|---|-------------------|
| Balance as at 1st January 2013                       | 556,843                      | 24,000                      | -   | 580,843           |
| Surplus for the year                                 | 105,039                      | -                           | -   | 105,039           |
| Actuarial gain/(loss) on defined benefit obligation  | (955)                        | -                           | -   | (955)             |
| Balance as at 31st December 2013                     | 660,927                      | 24,000                      | -   | 684,927           |
| Balance as at 1st January 2014                       | 660,927                      | 24,000                      | -   | 684,927           |
| Surplus for the year                                 | 104,102                      | -                           | -   | 104,102           |
| Actuarial gain/(loss) on defined benefit obligation  | 683                          | -                           | -   | 683               |
| Fair value changes on available-for-sale investments | -                            | -                           | (272)                                     | (272)             |
| <b>Balance as at 31st December 2014</b>              | <b>765,712</b>               | <b>24,000</b>               | <b>(272)</b>                              | <b>789,440</b>    |

The accounting policies and notes on pages 77 to 128 form an integral part of these financial statements.

| For the Year ended 31st December   | 2014<br>Rs. '000 | 2013<br>Rs. '000 |
|--|------------------|------------------|
| <b>Cash flow from operating activities</b>   |                  |                  |
| Excess of income over expenditure  | 111,508          | 106,962          |
| <b>Adjustments for;</b>  |                  |                  |
| Depreciation on property, plant and equipment including<br>amortisation of intangible assets and library books | 55,236           | 54,753           |
| Amortisation of capital grant  | (2,755)          | (9,264)          |
| Provision for defined benefit plan   | 5,025            | 4,521            |
| SLAASMB grant  | (2,500)          | (2,500)          |
| World Bank grant   | (16,510)         | (37,401)         |
| GIZ Project grant  | (617)            | (834)            |
| Government grant   | (600)            | (600)            |
| ICTA/SLASSCOM grant  | (1,095)          | -                |
| (Profit)/loss on disposal of property, plant and equipment   | (1,097)          | (323)            |
| Donation of fixed assets   | -                | 116              |
| Finance income   | (37,642)         | (41,681)         |
| <b>Operating surplus before working capital changes</b>  | 108,953          | 73,749           |
| (Increase)/decrease in inventory   | 8,033            | 1,416            |
| (Increase)/decrease in trade and other receivables   | (20,597)         | 6,901            |
| Increase/(decrease) in receipts in advance   | (55,030)         | 40,174           |
| Increase/(decrease) in trade and other payables  | 23,981           | (93,762)         |
|  | 65,340           | 28,478           |
| Tax paid   | (2,389)          | (1,923)          |
| Gratuity paid  | (2,919)          | (2,655)          |
| <b>Net cash inflow from operating activities</b>   | 60,032           | 23,900           |

| For the Year ended 31st December                                  | 2014<br>Rs. '000 | 2013<br>Rs. '000 |
|---|------------------|------------------|
| <b>Cash flows from investing activities</b>                       |                  |                  |
| Acquisition of property, plant and equipment and library books    | (92,669)         | (50,564)         |
| Acquisition of intangible assets                                  | (33,672)         | (8,175)          |
| Loans and advances given to staff                                 | 1,679            | (2,690)          |
| Investment in held to maturity financial assets                   | (128,311)        | (383,907)        |
| Maturity proceeds received from held-to-maturity financial assets | 210,908          | 302,958          |
| Investment in available-for-sale financial assets                 | (40,575)         | -                |
| Proceeds on disposal of property plant and equipment              | 1,317            | 325              |
| Finance income received   | 37,642           | 41,681           |
| <b>Net cash (outflow) from investing activities</b>               | <b>(43,681)</b>  | <b>(100,372)</b> |
| <b>Cash flows from/(used in) financing activities</b>             |                  |                  |
| Grants  | 41,150           | 19,216           |
| Borrowings  | 1,725            | -                |
| Net receipts of funds   | 10,697           | 6,461            |
| <b>Net cash inflow from financing activities</b>                  | <b>53,572</b>    | <b>25,677</b>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b>       | <b>69,923</b>    | <b>(50,795)</b>  |
| Cash and cash equivalents at the beginning of the year            | 11,317           | 62,112           |
| <b>Cash and cash equivalents at the end of the year</b>           | <b>81,240</b>    | <b>11,317</b>    |

The accounting policies and notes on pages 77 to 128 form an integral part of these financial statements.

## **1. Reporting entity**

### **1.1 Legal and domicile form**

The Institute of Chartered Accountants of Sri Lanka (the Institute) is a statutory body incorporated by Act of Parliament No. 23 of 1959 (The Act), and domiciled in Sri Lanka, situated at 30A, Malalasekara Mawatha, Colombo 7.

The Act provides for the establishment of the Institute of Chartered Accountants of Sri Lanka and of a Council of the Institute which shall be responsible for the management of its affairs for the issue of Sri Lanka Accounting and Sri Lanka Auditing Standards and for the registration and control of and the maintenance of professional standards and discipline by members of the Institute and for matters connected with or incidental to the matters aforesaid.

### **1.2 Date of authorisation for issue**

The financial statements were authorised for issue by the Council on 1st April 2015.

### **1.3 Principal activities and nature of operations**

- Act as the sole authority for promulgating accounting and auditing standards in Sri Lanka.
- Enrolment of students and conducting of examinations in relation to finance.
- Adoption and implementation of code of ethics and best practices.
- Conducting of technical awareness campaigns in the form of seminars, workshops and events to ensure continuous professional development of members.
- Regulation and supervision of student education and training.
- Making representations to government and other relevant authorities on matters of public interest relating to business community.

### **1.4 Financial period**

The financial period of the Institute represents twelve months period from 1st January 2014 to 31st December 2014

## 2. Summary of Significant accounting policies

### 2.1 General accounting policies

The financial statements of the Institute have been prepared in accordance with Sri Lanka Accounting Standards (LKASs/SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented in the financial statements unless otherwise stated.

#### Accounting for Association of Public Finance Accountants Sri Lanka (APFASL)

The Institute has accounted for the APFASL as the public sector wing (division) of the Institute with a restricted fund equivalent to initial contribution by both parties [Institute of Public Finance, Development Accountancy (IPFDA), the Institute] and subsequent surpluses made by APFASL.

### 2.2 Basis of preparation of financial statements

#### 2.2.1 Statement of compliance

These financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves, statement of cash flows and notes to the financial statements. These statements have been prepared in accordance with the Sri Lanka Accounting Standards.

#### 2.2.2 Basis of measurement

The financial statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes.

#### 2.2.3 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the financial statements of the current period and to improve comparability.

Where necessary, comparative figures have been re-arranged to conform to the current year's presentation. Following items have been re-classified during the year:

- Note 3: Direct income has been re-classified based on the nature of the sources of income, instead of the divisional approach
- Note 20-22: Scholarship funds, prize funds, specific funds and grants were reclassified in to designated funds, restricted funds and endowment funds.

- Notes 20-22: Contributions and allocation of interest income to the funds are re-classified and appropriated in the Statement of Comprehensive Income.
- Note 26: Withholding Tax deductions on interest income previously disclosed under interest income has been reclassified under income tax on the face of the Income Statement.

#### **2.2.4 Functional and presentation currency**

The financial statements are presented in Sri Lankan Rupees, the Institute's functional and presentation currency, which is the primary economic environment in which the institute operates.

All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless stated otherwise.

#### **2.2.5 Translation of foreign currency transactions**

Transactions in currencies other than Sri Lanka Rupees are converted into Sri Lanka Rupees at rates which approximate the actual rates at the transaction date. At the reporting date, monetary assets (including securities) and liabilities denominated in foreign currency are converted into Sri Lanka Rupees at the rate of exchange at that date. Non-monetary assets and liabilities in foreign currencies that are stated at historical cost are translated at the foreign exchange rate at the date of the transaction. Realised and unrealised exchange differences are reported in the statement of comprehensive income.

#### **2.2.6 Significant accounting estimates and judgments**

The preparation and presentation of financial statements in conformity with LKASs/SLFRSs, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgments used.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is as follows.

**(a) Association of Accounting Technicians of Sri Lanka (AAT)**

Considering all factors required under SLFRS 10 “Consolidated Financial Statement” for consolidation of financial statements, the management determined that there is no requirement for consolidation.

**(b) Defined benefit plans**

The cost of the retirement benefit plan of employees is determined using Projected Unit Credit (PUC) method. Such method involves use of assumptions concerning the rate of interest, rate of salary increase, retirement age and going concern of the Institute. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

**(c) Impairment of non-financial assets**

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU).

**(d) Economic useful life of the assets**

The useful economic value of the asset is determined by the management based on their best estimate and expert advice is obtained where it is not practicable to do so.

Buildings of the Institute are situated on 2 blocks of land obtained on lease from the Government of Sri Lanka on a 99 year lease ending on 31st December 2060 and on a 30 year lease ending on 23rd February 2037. However, the cost of the building is depreciated over a period of 50 years, as the management is confident that the lease will be renewed after its expiration.

**(e) Changes in accounting estimates and judgments**

Any changes in accounting estimates and critical judgements are disclosed in the relevant notes to the financial statements.

**2.2.7 Materiality and aggregation**

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function or are presented separately unless they are immaterial.

## **2.3 Assets and the bases of their valuation**

### **2.3.1 Property, plant and equipment**

#### **(a) Recognition and measurement**

##### **(i) Property, plant and equipment**

All items of property, plant and equipment are initially recorded at cost less accumulated depreciation and any impairment losses. Significant components of an asset are identified and depreciated separately. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity derecognises the replaced part and recognises the new part with its own associated useful life and depreciation. All other repair and maintenance costs are recognised in the Statement of comprehensive income as incurred.

Depreciation on property plant and equipment purchased through restricted funds is charged to the statement of comprehensive income. The correspondent grant amount is amortised over the useful life of the related asset.

##### **(ii) Land on operating lease**

Leases, where the lessor effectively retains substantially all the risks and rewards of an asset under the leased term are classified as operating leases.

Lease payments (excluding cost of service such as insurance and maintenance) paid in advance under operating leases are recognised as an expense in the Statement of comprehensive income over the period of lease on a straight-line basis.

#### **(b) Cost**

The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the institute recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

**(c) Subsequent expenditure**

Subsequent expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature in order to carry on or increase the earning capacity of the assets has been treated as capital expenditure.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only if it is probable that the future economic benefits embodied within the part will flow to the Institute and its cost can be measured reliably.

**(d) Depreciation**

**(i) Property, plant & equipment**

Depreciation on property, plant & equipment acquired or purchased through restricted funds is charged to the statement of comprehensive income on the straight line basis in order to write-off the cost of such assets over their estimated useful lives.

| Asset category          | Useful life |
|-------------------------|-------------|
| Building                | 5-50 years  |
| Furniture and Equipment | 5-10 years  |
| Plant and Machinery     | 5-10 years  |
| Motor Vehicles          | 10 years    |
| Computers               | 5 years     |

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Significant items of property plant and equipment with different useful lives are separately identified and depreciated.

**(ii) Library Books**

Cost of library books are written off on the straight-line basis over a period of 3 years.

**(e) Restoration Costs**

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognised as an expense when incurred.

#### (f) De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount and included in the statement of comprehensive income in the year the asset is derecognised.

#### 2.3.2 Work-in-Progress

Capital work-in-progress is stated at cost, less any impairment losses. These are expenses of a capital nature directly incurred in the construction of property, plant and equipment awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset category in property plant and equipment, when it is available for use. i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Institute.

#### 2.3.3 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following the initial recognition, where the cost model is applied, assets is carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial reporting year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriated and treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income, in the expense category consistent with the nature of the intangible asset. Amortisation commences when the assets are available for use.

Gains and losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the assets are derecognised.

Cost of development of study materials under new syllabus has been capitalised on the basis that the economic benefits out of which would flow to the Institute during the effective period of the new syllabus.

Intangible assets are amortised on the following bases:

- a. Computer software is amortised over a period of 5 years on the straight line method.
- b. Cost of development of study materials are amortised over a period of five years on straight line basis from the effective date of the new curriculum.

### 2.3.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. The cost of inventories is based on weighted average cost. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

The inventories of the Institute include Study Pack and Study Material, Publications, Stationery and consumables.

### 2.3.5 Impairment of non-financial assets

The Institute assesses at each reporting date, whether there is an indication that an asset may be impaired. If such indication exists or when annual impairment testing for an asset is required the Institute makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot "exceed" the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at re-valued amount, in which case the reversal is treated a revaluation increase.

### 2.3.6 Financial assets

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Institute determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The Institute initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Institute becomes a party to the contractual provisions of the instrument.

The Institute derecognises a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset is transferred. Any interest in transferred financial assets that is created or retained by the Institute is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Institute has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The financial assets of the Institute include cash and short-term investments and trade and other receivables.

#### **(a) Financial assets at fair value through profit or loss (FVTPL)**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance expense in the statement of comprehensive income.

Financial assets at fair value through profit and loss are classified as current assets, with any resultant gains or losses recognised in finance costs in the statement of comprehensive Income.

The fair value of listed securities is their quoted bid price at the reporting date. Financial income consists principally of interest and net realised and unrealised gains on changes in fair value. Interest income is recognised on an accruals basis, taking into account the effective yield of the asset.

The Institute has not designated any financial asset upon initial recognition at fair value through profit or loss.

#### **(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs.

Initially, loans and receivables are recognised on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the organisation becomes a party to the contractual provisions of the instrument. Loans and receivables are stated at their cost net of an allowance on outstanding amounts to cover the risk of non-payment.

Loans and receivables comprise trade receivables, employee loans, deposits, advances and other receivables.

#### **(c) Held-to-maturity investments (HTM)**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Institute has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the Statement of Comprehensive Income in financial costs.

Investments in fixed deposits have been classified under HTM investments.

#### **(d) Available-for-sale financial investments**

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserved in funds and reserves. Interest income on available-for-sale debt securities is calculated using the Effective Interest Rate method (EIR) and is recognised in profit or loss. When an investment is derecognised, the gain or loss accumulated in funds and reserves reclassified to profit or loss.

Investments in government securities have been classified under available-for-sale.

### 2.3.7 De-recognition of financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Institute has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (i) The Institute has transferred substantially all the risks and rewards of the asset, or the Institute has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
  - (ii) When the Institute has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Institute's continuing involvement in it.

In that case, the Institute also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Institute has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Institute could be required to repay.

### 2.3.8 Impairment of financial assets

The Institute assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such impairment has occurred, that amount of impairment is calculated by taking the difference between the assets carrying amount and the present value of estimated future cash flow.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset or assets (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty or default in interest or principal payments, the probability that they will enter bankruptcy or any financial reorganisation, and when observable data indicate that there is a measurable decrease in future cash flows, such as change in arrears or economic conditions that correlate with defaults. If any indication exists, the asset's recoverable amount is estimated.

An impairment loss is then recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **2.3.9 Non-current assets held for sale**

Non-current assets that are expected to be recovered primarily through a disposal rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, these assets are remeasured in accordance with SLFRS 5 - 'Non-current Assets Held for Sale'. Thereafter the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

### **2.3.10 Cash and cash equivalents**

Institute considers cash in hand, amounts due from banks and short-term deposits with an original maturity of three months or less to be "Cash and cash equivalents". Bank borrowings that are repayable on demand and form an integral part of the Institute's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents comprise cash in hand, deposits at bank and repurchase agreements.

Bank overdraft is included as a component of cash and cash equivalents for the purpose of the statement of cash flows, which has been prepared using the 'indirect method'.

## **2.4 Liabilities and Provisions**

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date. All known liabilities have been accounted for in preparing these financial statements.

### **2.4.1 Financial liabilities**

Subsequent to initial recognition, interest-bearing loans are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the loan on an effective interest basis.

Interest-free loans are recorded at fair value on initial recognition, which is the present value of the expected future cash flows, discounted using a market-related rate. The difference between the cost and the fair value of these loans on initial recognition has been recognised immediately as interest income while the corresponding unamortised interest expenditure recognised in statement of financial position has been amortised over the period of the loan.

### **2.4.2 Provisions**

A provision is recognised in the statement of financial position when the Institute has a legal or constructive obligation as a result of a past event, it is probable that an outflow of assets will be required to settle the obligation and the obligation can be measured reliably. For certain operational claims reported as provisions, it is not practical to disclose detailed information on their corresponding nature and uncertainties. If the effect is material, provisions are determined by discounting the expected future cash flow so as to reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### **2.4.2.1 Employee benefits**

##### **(a) Provision for retiring gratuity**

The Institute has adopted the benefit plan as required under the Payment of Gratuity Act No. 12 of 1983 for all eligible employees. The benefit plan is not externally funded. However, the surplus funds invested by the Institute in financial instruments are available and adequate to meet such obligations.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of long-term government bonds or high quality corporate bonds. Past service costs are recognised immediately in income, unless the changes to the defined benefit plans are conditional on the employees remaining in services for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Defined benefit plans estimate the amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The provision for retirement gratuity is determined by a qualified actuary using projected unit credit method. This item is stated under Non-Current Liabilities in the Statement of Financial Position. Actuarial gains and losses are recognised as income or expense in other comprehensive income during the financial year in which it arises

**(b) Defined contribution plans**

A defined contribution plan is a post-employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognised as an expense in the statement of comprehensive income as and when they are due.

**Employees' Provident Fund (EPF)**

The Institute and employees, contribute 15% and 10% respectively, on the salary of each employee to the approved provident fund.

**Employees' Trust Fund (ETF)**

The Institute contributes 3% on the salary of each employee to the Employees' Trust Fund.

### **2.4.3 Taxation**

#### **(a) Income Tax**

The surplus and income of the Institute other than surplus and income from dividends or interest is exempt from income tax under Section 7(b) (ii) of the Inland Revenue Act No. 10 of 2006.

#### **(b) Other taxes**

The Institute being an educational service provider, no provision has been made in respect of other taxes.

#### **(c) Deferred taxation**

Provision has not been made for deferred tax, as surplus and income of the Institute other than income from dividends or interest are exempt from income tax under section 7 (b) (ii) of the Inland Revenue Act No. 10 of 2006.

### **2.5 Accounting for the receipt and utilisation of funds, grants and reserves**

Institute received various grants for specific development activities. Fund, grants and reserves have been classified as unrestricted funds, restricted funds and endowment funds.

#### **2.5.1 Unrestricted Funds**

Unrestricted funds are those that are available for use by the Institute at the discretion of the Council and funds that are designated for a specific purpose by the Council in furtherance of the general objectives of Institute allocations made by the Council for the credit of the designated funds are charged to the statement of comprehensive income. Surplus funds are transferred from restricted funds to unrestricted funds in terms of the relevant Donor Agreements or with the subsequent approval of the Donor.

Contributions and donations received from the general public are recognised in the statement of comprehensive income on a cash basis where there are no terms of references.

### Designated Funds/Reserves

Unrestricted funds designated by the Council to a specific purpose are identified as designated funds. The Institute has accounted the following funds as designated funds and reserves and the purpose for such funds are elaborated as follows,

#### Funds

| Name of the Designated Fund                 | Purpose of the project/fund   |
|---|---|
| Faculty of Taxation Fund                    | Development of the tax profession   |
| Faculty of Auditing Fund                    | Development of the auditing profession  |
| Publication Fund                            | Development of publications   |
| Urgent Issues Task Force Fund               | Interpretation of accounting issues   |
| <b>Needy Student's Scholarship Fund</b>     | Help deserving and promising CA Sri Lanka students  |
| • L A Weerasinghe Memorial Scholarship Fund |   |
| <b>Merit Scholarship Funds</b>              | Help deserving and promising students who have shown exceptional performance at CA Sri Lanka examinations and undergoing strategic/business level training. |
| • General Fund                              |   |
| • CA Sri Lanka Scholarship Fund             |   |

#### Reserve

| Name of the Restricted Projects/Funds | Purpose of the project/funds             |
|---------------------------------------|--|
| Capital Reserve                       | Funds reserved for upgrading of building |

### 2.5.2 Restricted Funds

Where grants/donations are received for use in an identified project or activity, such funds are held in a restricted fund account and transferred to the statement of comprehensive income to match with expenses incurred in respect of that identified project. Unutilised funds are held in their respective fund accounts and included under accumulated fund and reserves in the statement of financial position until such time as they are required.

Where approved grant expenditure exceeds the income received and there is certainty that the balance will be received, such amounts are recognised through trade and other receivables in the statement of financial position.

The Institute has accounted the following funds and grants as restricted funds and the purposes for such funds/grants are elaborated as follows.

| Name of the Restricted Projects/Funds          | Purpose of the project/funds  |
|--|---|
| <b>Needy Student's Scholarship Funds</b>       |   |
| • CA Sri Lanka UK Members' Scholarship Fund    | Help deserving and promising students to realise their future ambition of becoming a Chartered Accountant |
| • Dalton Wijeyeratne Memorial Scholarship Fund |   |
| • Prof. Y A D S Samaratunga Memorial Fund      |   |
| • Prof.Kodagoda Memorial Fund                  |   |
| • Members' Scholarship Fund                    |   |
| • PricewaterhouseCoopers Scholarship Fund      |   |
| <b>Merit Scholarship Funds</b>                 |   |
| • Pelwatta Sugar Industries Ltd Fund           | Help deserving and promising students   |
| • Ernst & Young Scholarship Fund               | Institute administrates the scholarships granted to Earnst & Young trainees                               |
| • Miss. Inoka Gunaratne Memorial Fund          | Help deserving and promising students   |
| <b>Best Annual Report Competition Fund</b>     |   |
| • Deshabandu Albert Page                       | Sponsorship for the Annual Report Awards  |
| • Late Mr. Cyril Gardiner                      |   |
| • Hayleys PLC                                  |   |

| Name of the Restricted Projects/Funds  | Purpose of the project/funds  |
|--|---|
| <b>Gants</b>   |   |
| <ul style="list-style-type: none"> <li>World Bank Grant - IRQUE Project</li> </ul>   | Capacity building project   |
| <ul style="list-style-type: none"> <li>World Bank Grant - Strengthening the Institute of Chartered Accountants of Sri Lanka</li> </ul> | Implementing an audit quality assurance programme, programme to assist and educate SMPs, programme to increase adoption of IFRSs, programme to strengthen the public sector financial management.   |
| <ul style="list-style-type: none"> <li>Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) Grant</li> </ul>         | Promulgating accounting and auditing standards  |
| <ul style="list-style-type: none"> <li>PricewaterhouseCoopers Grant - HRIS (HR System)</li> </ul>                                      | Provided the HRIS developed by PricewaterhouseCoopers as a free grant to the Institute  |
| <ul style="list-style-type: none"> <li>GIZ Grant- SMEs Development Project</li> </ul>  | Carryout initiatives for the development of SMEs  |
| <b>Other Restricted Funds</b>  |   |
| <ul style="list-style-type: none"> <li>Association of Public Financial Accountants of Sri Lanka - (APFASL)</li> </ul>                  | Association of Public Financial Accountants of Sri Lanka (APFASL) has been set up jointly with the Institute of Public Finance and Development Accountancy (IPFDA) and the Institute during the year 2012, with the prime objective of enhancing the capacity of Public sector financial management professionals. Since both parties have equally contributed to achieve a common objective, a restricted fund has been established for the same |
| <ul style="list-style-type: none"> <li>Annual Report Awards</li> </ul>   | The aim of this project is to encourage excellence in the presentation of information in annual reports. The Chartered Accountants, Annual Report Awards is a prestigious event which recognises and honours those organisations that have achieved excellence in annual reporting - presenting a true and fair view of the year's activities. Awards are presented to winners annually at the awards ceremony.                                   |

Management is of the view that all terms and conditions pertaining to the above funds have been complied with.

### 2.5.3 Endowment/Funds

Where assets are received as an endowment, which are not exhausted, only the income earned from such assets may be recognised and used as income.

Investment income and other gains realised from funds available under each of the above categories are allocated to the appropriate funds, unless the relevant agreement or minute provides otherwise.

| Name of the Endowment Projects/Funds | Purpose of the Project/Fund  |
|--------------------------------------|--|
| Prize Funds                          | Awarding subject prizes and merit prizes for the best performance of each examination. |

The institute policies regarding to the endowment funds are;

**(i). Investment policy:**

Funds are invested only in government securities and fixed deposits in state banks. Investments are made after considering the higher yield on investment, liquidity, interest rate risk for re-investment. All new investment and re-investment decisions require the approval of the investment committee.

**(ii) Withdrawal policy:**

Withdrawals are not made other than at maturity. Any early withdrawal requires the approval of the investment committee.

**(iii) Fund usage policy:**

Usage is restricted for the specific purpose for which the fund was established.

### 2.5.4 Grants and subsidies

Grants and subsidies are recognised in the financial statements at their fair value. When the grant or subsidy relates to an expense it is recognised as an income over the period necessary to match it with the costs, which it is intended to compensate for on a systematic basis.

Grants and subsidies related to assets are generally deferred in the statement of financial position and credited to the statement of comprehensive income over the useful life of the asset.

## 2.6 Statement of Comprehensive Income

### (a) Direct income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Institute and that it can be reliably measured.

#### (i) Subscriptions and annual renewal fees:

The subscription year for members, students and Certified Business Accountants runs from 1st January to 31st December. Only the subscriptions that are attributable to the current financial year are recognised as revenue. Fees and subscription payments that relate to future periods are shown in the statement of financial Position as fees received in advance under current liabilities.

Annual renewal fees from training partners and teaching colleges are recognised as revenue at the time of receipt of the payment. The renewal year runs from 1st January to 31st December.

#### (ii) Examinations Fees:

Fees on examinations are recognised as revenue at generation of admission.

#### (iii) Income from supply of educational materials:

Supplies of educational materials are recognised as revenue at the time of dispatch or sale.

#### (iv) Income from courses:

Incomes from other courses are recognised as revenue based on periodic basis.

#### (v) Income from Seminar/workshops

Seminars, workshops and continuous professional development (CPD) activities are recognised upon conducting the event.

#### (vi) Certificates fees:

Issuance of certificates for the first time is recognised as revenue after receiving the Council approval.

Renewals of certificates are recognised at the time of issuing the renewed certificates.

#### (vii) Arrears, penalties and fines:

Arrears, penalties and fines in connection with the payments received after the due date are recognised on cash basis.

**(viii) Fee from training agreement:**

Training agreement fees are recognised at the time of registration for practical training.

**(ix) Enrolment fees**

Fees received in connection with the enrolment to CA membership, fellow membership, practicing member, Certified Business Accountant, training partners and teaching colleges are recognised after receiving the Council approval and payment due on of such applications.

**(x) Sponsorships and contributions:**

Sponsorships for member/student related activities are recognised on acknowledgement.

**(xi) Income from rendering services**

Revenues earned on rendering services are recognised in the accounting period in which the services were rendered.

**(b) Other income**

**(i) Income from hire of halls:**

Income from hire of halls is recognised on accrual basis.

**(ii) Gain/Loss from sale of property plant and equipment:**

Net gains and losses on the disposal of property, plant and equipment is recognised in the statement of comprehensive income after deducting from the proceeds on disposal, the carrying value of the item disposed of and any related selling expenses. In the case of any revalued asset, any balance remaining in the revaluation reserve account is transferred to the statement of comprehensive income.

**(iii) Any other income not specified under above categories is recognised on accrual basis.**

**(c) Restricted contributions/revenue**

Restricted contributions provided based on agreements, contracts or other understanding, where the conditions for receipt of the funds are linked to a performance, of a service or other process. The Institute earns the contribution through compliance with the conditions that have been laid down and meeting the envisaged obligations. Revenue is not recognised in the statement of comprehensive income, until there is reasonable assurance that the contribution will be received and the conditions stipulated for its receipt have been complied with. Receipt of the funds does not by itself provide conclusive evidence that the conditions attached to the contribution have been or will be fulfilled. Until the conditions have been fulfilled, the contribution is regarded as part of restricted funds.

Income realised from restricted funds is recognised in the Statements of Comprehensive Income only when there is certainty that all of the conditions for receipt of the funds have been complied with and the relevant expenditure that it is expected to compensate has been incurred and charged to the Statements of Comprehensive Income.

On receiving any restricted contributions, the contribution is credited to the restricted fund account in the Statement of Financial Position and debited to the bank account. Thereafter, on a systematic basis, an amount equivalent to that which has been spent on agreed "restricted" activities during the period, is taken to income, by debiting the restricted fund account in the Statement of Financial Position and crediting restricted income account. Unutilised funds are carried forward as such in the Statement of Financial Position.

Any surplus remaining in a restricted fund on conclusion of project or planned activities are transferred as unrestricted revenue unless it is prohibited by a condition attached to it or the obligation exist to revert back to the fund providers.

**(i) Contributions/donation for specific projects**

A contribution/grant for specific projects is not recognised as an incoming resource, until there is reasonable assurance that the contribution will be received, and where relevant that the institute has or will comply with the condition(s) attached to it and those funds are recognised in the statement of comprehensive Income up to the extent that the Institute has performed the agreed project.

Funds received as donations without any direct request being made or without any defined terms and conditions being laid down with regard to utilisation, are unrestricted. In such circumstances the funds are recognised as income when it is received.

**(ii) Government grant**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants that compensate the Institute for expenses incurred are recognised as revenue in the statement of comprehensive income in the same period in which the expenses are recognised.

**(iii) Funds received for specific purpose**

Funds are recognised in the statement of comprehensive Income up to the extent that the institute disburse the scholarship for the agreed purpose.

#### **(d) Finance income:**

Interest income is recognised on accrual basis using effective interest rate method (EIR) according to LKAS 39.

#### **2.6.1 Expenditure recognition**

Expenses in carrying out the projects and other activities of the Institute are recognised in the statement of comprehensive income during the period in which they are incurred. Other expenses incurred in administering and running the Institute and in restoring and maintaining the property plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the statement of comprehensive income.

Institute has adopted the "Function of Expense" method to present fairly the elements of the Institute's activities in its statement of comprehensive income.

#### **(a) Project expenses**

Expenses in carrying out the projects and other activities of the Institute are recognised in the Statement of Comprehensive Income during the period in which they are incurred and the basis for identifying project expenses are mainly on locations of the project, staff allocated to the project and projected activities of the project according to the project proposal.

Expenses are recognised in the statement of comprehensive income on the basis of direct association between the cost incurred and the earning of specific items of income.

#### **(b) Operational expense**

All expenditure incurred in the running of the Institute and in maintaining the capital assets in a state of efficiency has been charged against revenue in arriving at the surplus for the year.

Expenditure on examinations, seminars, courses and other educational and members' activities are recognised in the statement of comprehensive income on the accruals basis.

#### **(c) Finance expense**

Finance expense is recognised on accrual basis when it is paid or creates liabilities.

## 2.7 Statement of cash flows

The statement of cash flows has been prepared in accordance with LKAS 7.

Interest paid is classified under operating cash flows and interest received is classified under investing cash flows.

## 2.8 Capital commitment and contingencies

Contingencies are possible assets or obligation that arise from past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the institute's control.

Capital commitments and contingent liabilities of the Institute are disclosed in the respective notes to the financial statements.

## 2.9 Events after the reporting period

The materiality of events occurring after the reporting period has been considered and appropriate adjustments, wherever necessary, have been made in the accounts.

## 2.10 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Institute's annual financial statements are listed below. This listing of standards and interpretations issued are those that the Institute reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Institute intends to adopt these standards when they become effective.

| Accounting Standard | Name of the Standard                                 | Effective Date   |
|---------------------|--|------------------|
| SLFRS 9             | Financial instruments classification and measurement | 1st January 2018 |
| SLFRS 15            | Revenue from contracts with customers                | 1st January 2016 |

## 2.11 Overview of projects

### 2.11.1 World Bank Grant: Strengthening The Institute of Chartered Accountants of Sri Lanka

|                              |   |
|------------------------------|---|
| Country, project location    | Sri Lanka   |
| Project title                | <p>Strengthening The Institute of Chartered Accountants of Sri Lanka</p> <p>The programme was categorised under four components;</p> <ul style="list-style-type: none"> <li>• Implementing an Audit Quality Assurance Programme</li> <li>• Programme to Assist and Educate Small and Medium-Sized Practices (SMPs)</li> <li>• Programme to Increase Adoption of International Financial Reporting Standards (IFRS)</li> <li>• Programme to Strengthen Public Sector Financial Management</li> </ul> |
| Length of the project phase  | <p>Commencement: April 2012</p> <p>April 2012 to 22nd March 2015</p>  |
| Main partners of the project | World Bank grant channelled through the bank's Institutional Development Fund (IDF)   |

#### The objective of this project

In recognition of the significant role that the accounting profession plays in supporting the economic advancements of Sri Lanka, the World Bank extended a grant of US \$ 500,000 in April 2012 towards developing the core technical activities of CA Sri Lanka, including improving compliance with financial reporting, auditing and quality control standards in the corporate and public sector. The capacity building within the financial reporting and auditing community ensured transparency and accountability in financial reporting, while the objectives collectively aimed at achieving one of CA Sri Lanka's key goals of serving society with the highest levels of integrity and competence.

The programme was categorised under four components. The progress made by each activity is as follows:

#### **Implementing an audit quality assurance programme (component 1)**

A Quality Assurance Board (QAB) and a quality assurance Panel were appointed and trained to implement the programme. The high-level and independent Audit Quality Assurance Board set up by CA Sri Lanka comprised representatives from regulatory agencies, including:

- The Securities and Exchange Commission of Sri Lanka.
- Central Bank of Sri Lanka.
- Insurance Board of Sri Lanka.
- The Sri Lanka Accounting and Auditing Standards Board.
- The Auditor General and other independent members.

Over 50 firms were reviewed under this programme

All audit practitioners were provided with an in-depth understanding of the quality control requirements along with a series of refresher courses. The face-to-face training was supplemented by printed Question and Answer guidelines, brochures and tip-sheets.

#### **Activities carried out under this component:**

- Created awareness among practitioners on the requirements under the Sri Lanka Standard on Quality Control - 1 (SLSQC-1).
- Developed a framework for a quality assurance programme and quality assurance guidelines.
- Trained the QAB members and provided assistance on the policy and planning process.
- Trained the QA Review Panel to undertake quality assurance engagements and report thereon.

#### **Programme to Assist and educate small and Medium-Sized Practices (SMPs) (component 2)**

SMPs play a significant role in the development of SMEs as the SME audits are carried out primarily by SMPs. Having recognised this important scope, CA Sri Lanka developed an audit tool kit and a training programme targeting SMPs, to enable them to develop a deeper understanding of conducting an audit in compliance with the SLAuSs through explanation and illustrative examples.

The toolkit consisted of 3 volumes:

- Core concepts
- Practice guidance
- Small and medium-sized entity audit templates.

The ultimate aim of the initiative helped SMPs conduct high-quality and cost effective audits enabling them to serve SMEs better and in-turn to add value to the economy.

**Activities carried out under the component:**

- Customised audit tool kit to suit SMPs, regularly updated with global changes to IFRs.
- Developed a series of interactive risk based audit training course using a case-study for the SMPs is Colombo as well as regional.
- Awareness created among SMPs on the new developments in the profession, while also rolling out the interactive risk based training course to SMPs.

**Programme to increase adoption of International Financial Reporting Standards (IFRS) (component 3)**

The World Bank grant which covers the important component of increasing adoption of IFRS supported the challenging task of rolling out and implementing the standards. The grant also made way for the enhancement of the training capacity of CA Sri Lanka to conduct awareness and detailed application level training on IFRSs.

Activities carried out under the component:

- Established an IFRS help desk.
- Trained a panel of trainers in addition to the technical unit staff of CA Sri Lanka to deliver IFRS training.
- Prepare training material/manuals to assist trainers.
- Created initial IFRS awareness among preparers of financial statements, auditors, regulators, academia and media.
- Provided detailed application level training to members, corporate and other stakeholders.
- Offering IFRS e-learning.
- Introduced a certification course on IFRS.

**Programme to Strengthen public sector financial management (component 4)**

The public sector plays a significant role in Sri Lanka. Having understood this important scope, CA Sri Lanka together with the World Bank embarked on a fresh initiative aimed at developing and strengthening the financial management skills and expertise of the public sector in line with international best practices and standards.

Accordingly, to strengthen the public sector financial management in Sri Lanka, the following were introduced:

- The establishment of the Public Sector Wing to serve the public sector in the same way as it serves the private sector.
- A Public Sector Accounting Standards Committee set up with the Auditor General and other senior officials from the Ministry of Finance and Planning.
- Signed a Memorandum of Understanding with CIPFA (London) for capacity building in the public sector.
- Issuing of ten Sri Lanka Public Sector Accounting Standards in line with International Public Sector Accounting Standards (IPSAS), and recognized by the Government of Sri Lanka.
- Launch of the specialised Chartered Public Finance Accountant (CPFA) qualification for accounting and finance professionals in the public sector with CIPFA.

Meanwhile, with the assistance of CIPFA UK, a pool of trainers was developed and training has been delivered on Sri Lanka Public Sector Accounting Standards (SLPSAS) covering a large number of public sector accountants. Rolling out of SLPSAS is currently being done on a pilot basis with continuous support from CA Sri Lanka.

The above initiatives contributed towards the enhanced economic development of the country through effective financial management and governance.

Activities carried out under the component:

- Train the trainers in SLPSAS.
- Developed training material and training manuals for trainers.
- Developed a plan for rolling out the SLPSAS in phases to Statutory Boards and Authorities.
- Created awareness of the newly issued SLPSAS among targeted Statutory Boards and Local Authorities.

### 2.11.2 Capacity building project – Small and Medium – sized Entities (SMEs) and Small and Medium – sized Projects (SMPs)

|                              |   |
|------------------------------|---|
| Country, project location    | Sri Lanka   |
| Project title                | SME Development   |
| Length of the project phase  | Commencement : 1st March 2013<br>1st March 2013 to 15th February 2014 |
| Main partners of the project | German Agency for International Cooperation                           |

#### The objective of this project

The overall objective of the Programme is to improve and strengthen Sri Lanka's growing SME sector through a range of Technical Assistance activities. The Programme goal is: "The pre-conditions for inclusive SME development have improved". Therefore, the focus is on the pre-conditions which are necessary to create an enabling environment for inclusive SME development in Sri Lanka. The identified pre-conditions are:

- 1) improved access to finance for SMEs
- 2) improved competitiveness of SMEs through innovation and technology transfer
- 3) an enabling policy environment

The intended impacts of the Programme are generation of employment and income; more equitable social and regional distribution of economic benefits; improved governance for inclusive and environmentally sustainable growth.

#### Major Activities carried out under this project

Conduct 7 regional seminars on Sri Lanka Accounting Standard (SLFRS) for SMEs. These seminars will be conducted in Uva Province, Sabaragamuwa Province, Northern Province, North-Western Province, Eastern Province, Southern Province and Central Province.

- Design training programme on basic accounting and book-keeping for SMEs and conduct training programmes in the regions identified by the Programme (i.e. Uva Province, Sabaragamuwa Province, Northern Province, North-Western Province, Eastern Province, Southern Province and Central Province.)
- Establish a help desk to facilitate SMEs and SMPs to obtain advice on guidance on accounting and auditing issues.
- Publish technical materials/guidance notes/application guidance/practice notes on SLFRS for SMEs.

### 2.11.3 Needy scholarship awarding project

|                              |  |
|------------------------------|--|
| Country, project location    | Sri Lanka  |
| Project title                | Needy Scholarship awarding project   |
| Length of the project phase  | Continuing project   |
| Main partners of the project | L A Weerasinghe Memorial Scholarship Fund<br>CA Sri Lanka UK Members' Scholarship Fund<br>Dalton Wijeyeratne Memorial Scholarship Fund<br>Professor Y A D S Samarathunga Memorial Fund<br>Professor Kodagoda Memorial Fund<br>Members' Scholarship Fund<br>PricewaterhouseCoopers Scholarship Fund |

#### The objective of this project

Help deserving and promising students who are at the beginning of CA to realise their future ambition of becoming a Chartered Accountant

#### Major Activities carried out under this project

Awarding of scholarships to needy students

### 2.11.4 Merit scholarship awarding project

|                              |  |
|------------------------------|--|
| Country, project location    | Sri Lanka,   |
| Project title                | Merit Scholarship awarding project   |
| Length of the project phase  | Continuing project   |
| Main partners of the project | CA Sri Lanka Scholarship Fund<br>Pelwatta Sugar Industries Ltd.<br>Ernst & Young Scholarship Fund<br>Miss. Inoka Gunaratne Memorial Foundation |

#### The objective of this project

Help deserving and promising students who have shown exceptional performance at CA Sri Lanka examinations and are at the Strategic/Business level training to realise their future ambition of becoming a Chartered Accountant

#### Major Activities carried out under this project

Award of Scholarships for most outstanding students at CA Sri Lanka examinations and are at the Strategic/Business level training.

### 2.11.5 Best Annual Report Competition Projects

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|                              |  |
|------------------------------|--|
| Country, project location    | Sri Lanka  |
| Project title                | Best Annual Report Competition                                   |
| Length of the project phase  | Continuing project   |
| Main partners of the project | Deshabandu Albert Page<br>Late Mr. Cyril Gardiner<br>Harleys PLC |

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#### The objective of this project

The aim of this project is to encourage excellence in the presentation of information in annual reports. The Chartered Accountants' Annual Report Awards is a prestigious event which recognises and honours those organisations that have achieved excellence in annual reporting – presenting a true and fair view of the year's activities. Awards are presented to winners annually at the awards ceremony.

The categories under which the awards are presented are as follows:

- Overall Awards: Gold, Silver, Bronze
- Sector Awards: Gold, Silver, Bronze
- Corporate Governance Disclosure Award: Gold, Silver, Bronze
- Corporate Social Responsibility Reporting Award : Gold, Silver, Bronze
- Management Commentary Award: Gold, Silver, Bronze
- Integrated Reporting Award: Gold, Silver, Bronze

### 2.11.6 Prize funds

|                              |   |
|------------------------------|---|
| Country, project location    | Sri Lanka   |
| Project title                | Prize Funds   |
| Length of the project phase  | Continuing project  |
| Main partners of the project | <ul style="list-style-type: none"> <li>• CA Sri Lanka President's Fund</li> <li>• B R De Silva Memorial Fund</li> <li>• A D B Talwatte Fund</li> <li>• Satchithannanda Memorial Fund</li> <li>• Kreston MNS Fund</li> <li>• Nivard Cabraal Fund</li> <li>• Reyaz Mihular Fund</li> <li>• D R Settinayake Memorial Fund</li> <li>• ADE De S Wijeyeratne Memorial Fund</li> <li>• Mohan Abeynaike Fund</li> <li>• KPMG Fund</li> <li>• Ernst &amp; Young Fund</li> <li>• SJMS Associates Fund</li> <li>• Sunil Piyawardena &amp; Co Fund</li> <li>• Lal Nanayakkara &amp; Co Fund</li> <li>• G C B Wijeyesinghe Memorial Fund</li> <li>• Nihal Hettiarachchi Fund</li> <li>• Jayaweera &amp; Co Fund</li> <li>• Brito Mutunayagam Memorial Fund</li> <li>• PricewaterhouseCoopers Fund</li> <li>• K G H De Silva Prize Fund</li> <li>• BDO Partners Prize Fund</li> <li>• Jayasinghe &amp; Company</li> </ul> |

#### The objective of this project

Awarding subject prizes and merit prizes for the best performances.

### 3. Direct Income and Direct Expenditure

| For the Year ended 31st December                           | 2014           |                   |                | 2013           |                   |                |
|--|----------------|-------------------|----------------|----------------|-------------------|----------------|
|  | Direct Income  | (Direct Expenses) | Contribution   | Direct Income  | (Direct Expenses) | Contribution   |
|  | Rs. '000       | Rs. '000          | Rs. '000       | Rs. '000       | Rs. '000          | Rs. '000       |
| Educational activities                                     | 631,160        | (268,323)         | 362,837        | 558,729        | (238,879)         | 319,850        |
| Member development and related activities                  | 73,337         | (38,011)          | 35,326         | 60,746         | (41,344)          | 19,402         |
| Development of financial reporting and assurance standards | 51,740         | (40,645)          | 11,095         | 25,686         | (22,154)          | 3,532          |
| Development of public finance accountants and reporting    | 6,536          | (5,116)           | 1,420          | 8,384          | (6,677)           | 1,707          |
| <b>Total</b>   | <b>762,773</b> | <b>(352,095)</b>  | <b>410,678</b> | <b>653,545</b> | <b>(309,054)</b>  | <b>344,491</b> |

| For the Year ended 31st December | 2014<br>Rs. '000 | 2013<br>Rs. '000 |
|----------------------------------|------------------|------------------|
|----------------------------------|------------------|------------------|

### 4. Other Operating Income

|   |              |              |
|---|--------------|--------------|
| Profit on sale of publications                          | 401          | 991          |
| Gain on disposal of property, plant and equipment       | 1,097        | 323          |
| Gain on disposal of available for sale financial assets | 261          | -            |
| Income from hire of halls                               | 992          | 2,901        |
| Miscellaneous income                                    | 978          | 1,457        |
| <b>Total other operating income</b>                     | <b>3,729</b> | <b>5,672</b> |

### 5. Employee Costs

|                                    |                |                |
|------------------------------------|----------------|----------------|
| Salaries and Wages                 | 158,589        | 137,760        |
| Defined contribution plan cost     |                |                |
| - Employees' Provident Fund        | 14,498         | 13,500         |
| - Employees' Trust Fund            | 2,900          | 2,700          |
| Defined benefit plan cost          | 5,025          | 4,521          |
| <b>Total employee costs</b>        | <b>181,012</b> | <b>158,481</b> |
| Number of employees as at year end | 149            | 138            |

| For the Year ended 31st December                                     | 2014<br>Rs. '000 | 2013<br>Rs. '000 |
|--|------------------|------------------|
| <b>6. Maintenance of Premises</b>                                    |                  |                  |
| Building maintenance and utility                                     | 37,035           | 39,988           |
| Renovations related expenditure                                      | 18,063           | -                |
| <b>Total maintenance of premises</b>                                 | <b>55,098</b>    | <b>39,988</b>    |
| <b>7. Depreciation and Amortisation</b>                              |                  |                  |
| Depreciation for the year  | 47,732           | 45,903           |
| Amortisation of library books  | 1,004            | 1,338            |
| Amortisation of intangible assets                                    | 6,500            | 7,512            |
|  | 55,236           | 54,753           |
| Amortisation of capital grant  | (2,755)          | (9,264)          |
| Depreciation charged to direct expenditure on educational activities | (1,460)          | (591)            |
| <b>Total depreciation and amortisation</b>                           | <b>51,021</b>    | <b>44,898</b>    |
| <b>8. Other Expenses</b>   |                  |                  |
| Communication expenses   | 27,425           | 19,050           |
| Travelling expenses  | 2,700            | 1,952            |
| Bank charges and commissions   | 2,267            | 1,266            |
| Professional fees  | 1,452            | 1,941            |
| Auditor's remuneration   |                  |                  |
| Audit fees and expenses  | 300              | 275              |
| Non-audit fee and expenses   | 120              | -                |
| Legal fees   | 1,053            | 2,986            |
| Stationery and sundry expenses                                       | 2,038            | 5,063            |
| <b>Total other expenses</b>  | <b>37,355</b>    | <b>32,533</b>    |

| For the Year ended 31st December                     | 2014<br>Rs. '000 | 2013<br>Rs. '000 |
|--|------------------|------------------|
| <b>9. Finance Income</b>                             |                  |                  |
| Interest income on financial assets                  | 2,427            | 1,518            |
| Interest income on initial acquisition of loan       | 453              | -                |
| Interest income on held-to-maturity financial assets | 32,561           | 36,763           |
|  | <b>35,441</b>    | <b>38,281</b>    |
| Interest income on loans and receivables             | 2,201            | 3,400            |
| <b>Total Finance income</b>                          | <b>37,642</b>    | <b>41,681</b>    |

## 10. Property, Plant and Equipment

|   | Buildings<br>Rs. '000 | Furniture<br>Rs. '000 | Plant and<br>machinery<br>Rs. '000 | Motor Vehicles<br>Rs. '000 | Computers<br>Rs. '000 | Capital work-in-<br>progress<br>Rs. '000 | Total<br>Rs.'000 |
|---|-----------------------|-----------------------|------------------------------------|----------------------------|-----------------------|--|------------------|
| <b>Cost or Valuation</b>                |                       |                       |                                    |                            |                       |  |                  |
| <b>Balance as at 1st January 2014</b>   | 431,226               | 75,402                | 96,508                             | 12,121                     | 63,794                | 34,671                                   | 713,722          |
| Additions                               | 68,585                | 21,775                | 27,442                             | -                          | 8,064                 | 76,947                                   | 202,813          |
| Capitalised during the year             | -                     | -                     | -                                  | -                          | -                     | (111,572)                                | (111,572)        |
| Disposals                               | -                     | (2,723)               | (1,581)                            | -                          | (4,622)               | -  | (8,926)          |
| <b>Balance as at 31st December 2014</b> | <b>499,811</b>        | <b>94,454</b>         | <b>122,369</b>                     | <b>12,121</b>              | <b>67,236</b>         | <b>46</b>                                | <b>796,037</b>   |
| <b>Accumulated Depreciation</b>         |                       |                       |                                    |                            |                       |  |                  |
| <b>Balance as at 1st January 2014</b>   | 26,090                | 27,185                | 19,071                             | 7,601                      | 48,022                | -  | 127,969          |
| Depreciation charge for the year        | 14,903                | 7,696                 | 19,101                             | 1,128                      | 4,904                 | -  | 47,732           |
| Disposals                               | -                     | (2,644)               | (1,581)                            | -                          | (4,622)               | -  | (8,847)          |
| <b>Balance as at 31st December 2014</b> | <b>40,993</b>         | <b>32,237</b>         | <b>36,591</b>                      | <b>8,729</b>               | <b>48,304</b>         | <b>-</b>                                 | <b>166,854</b>   |
| <b>Carrying Amounts</b>                 |                       |                       |                                    |                            |                       |  |                  |
| <b>As at 31st December 2014</b>         | <b>458,818</b>        | <b>62,217</b>         | <b>85,778</b>                      | <b>3,392</b>               | <b>18,932</b>         | <b>46</b>                                | <b>629,183</b>   |
| As at 31st December 2013                | 405,136               | 48,217                | 77,437                             | 4,520                      | 15,772                | 34,671                                   | 585,753          |

**10.1** Buildings are situated on 2 blocks of land obtained on lease from the Government of Sri Lanka.

**10.2** The cost of fully depreciated assets as of 31st December 2014 amounted to Rs. 72.6 mn (2013: 58.7 mn).

**10.3** The fair value of the above buildings which are carried at cost is as follows. These buildings were revalued as of 13th March 2013 by Mr. Sunil Fernando. FRICS, IRRV, FIV (S.L), MIV (R.S.A.).

| Description of the asset                   | Fair value for accounting purpose<br>Rs. mn |
|--|---|
| Multi-storied building – Newly constructed | 434   |
| Old building and auditorium                | 147   |

## 11. Intangible Assets

### Cost

|   | Software<br>Rs. '000 | Software<br>licences<br>Rs. '000 | Study<br>material<br>development<br>Rs. '000 | Work-in-<br>progress-<br>projects<br>Rs. '000 | Total<br>Rs. '000 |
|---|----------------------|----------------------------------|--|---|-------------------|
| <b>Balance as at 1st January 2014</b>   | 14,646               | 3,484                            | 5,707  | 6,523   | 30,360            |
| Additions                               | 3,048                | 154                              | 10,164                                       | 29,549  | 42,915            |
| Capitalised during the year             | –                    | –                                | –  | (9,243)                                       | (9,243)           |
| <b>Balance as at 31st December 2014</b> | 17,694               | 3,638                            | 15,871                                       | 26,829  | 64,032            |

### Amortisation

|   | Software<br>Rs. '000 | Software<br>licences<br>Rs. '000 | Study<br>material<br>development<br>Rs. '000 | Work-in-<br>progress-<br>projects<br>Rs. '000 | Total<br>Rs. '000 |
|---|----------------------|----------------------------------|--|---|-------------------|
| <b>Balance as at 1st January 2014</b>   | 9,426                | 1,129                            | 3,860  | –   | 14,415            |
| Amortisation for the year               | 3,484                | 713                              | 2,303  | –   | 6,500             |
| <b>Balance as at 31st December 2014</b> | 12,910               | 1,842                            | 6,163  | –   | 20,915            |

### Carrying Amounts

|                                 |       |       |       |        |        |
|---------------------------------|-------|-------|-------|--------|--------|
| <b>As at 31st December 2014</b> | 4,784 | 1,796 | 9,708 | 26,829 | 43,117 |
| As at 31st December 2013        | 5,220 | 2,355 | 1,847 | 6,523  | 15,945 |

| As at  | 31.12.2014<br>Rs. '000 | 31.12.2013<br>Rs. '000 |
|--|------------------------|------------------------|
| <b>12. Library Books</b>                       |                        |                        |
| Balance at the beginning of the year           | 953                    | 642                    |
| Additions                                      | 1,428                  | 1,274                  |
| Amortisation                                   | (1,004)                | (963)                  |
| <b>Balance at the end of the year</b>          | <b>1,377</b>           | <b>953</b>             |
| <b>13. Loans and Advances to Staff</b>         |                        |                        |
| Receivable within one year                     | 2,721                  | 4,345                  |
| Receivable after one year                      | 14,310                 | 14,365                 |
| <b>Total</b>                                   | <b>17,031</b>          | <b>18,710</b>          |
| <b>14. Held-to-Maturity Financial Assets</b>   |                        |                        |
| Maturity within one year                       | 100,935                | 348,146                |
| Maturity in more than one year                 | 165,001                | -                      |
| <b>Total</b>                                   | <b>265,936</b>         | <b>348,146</b>         |
| <b>15. Available for Sale Financial Assets</b> |                        |                        |
| Treasury bonds                                 | 39,916                 | -                      |
|  | 39,916                 | -                      |
| <b>16. Inventories</b>                         |                        |                        |
| Study packs and study materials                | 4,082                  | 13,966                 |
| Publications                                   | 6,998                  | 5,973                  |
| Stationery, consumables and others             | 5,087                  | 4,261                  |
| <b>Total</b>                                   | <b>16,167</b>          | <b>24,200</b>          |
| <b>17. Trade and Other Receivables</b>         |                        |                        |
| Receivables                                    | 37,621                 | 20,341                 |
| Deposits and prepayments                       | 4,560                  | 4,993                  |
| Advances                                       | 4,480                  | 730                    |
| <b>Total</b>                                   | <b>46,661</b>          | <b>26,064</b>          |

| As at   | 31.12.2014<br>Rs. '000 | 31.12.2013<br>Rs. '000 |
|---|------------------------|------------------------|
| <b>18. Cash and Cash Equivalents</b>  |                        |                        |
| Favourable balances   |                        |                        |
| Re-purchase agreements  | 60,000                 | 18,000                 |
| Cash at banks   | 40,612                 | 12,255                 |
| Cash in hand  | 410                    | 107                    |
| <b>Total</b>  | <b>101,022</b>         | <b>30,362</b>          |
| Unfavourable balances   |                        |                        |
| Bank overdrafts   | (19,782)               | (19,045)               |
| <b>Total cash and cash equivalents for the purpose of statement of cash flows</b> | <b>81,240</b>          | <b>11,317</b>          |

### 19. Reserves

|                            |               |               |
|----------------------------|---------------|---------------|
| Capital reserve            | 24,000        | 24,000        |
| Available-for-sale reserve | (272)         | -             |
| <b>Total</b>               | <b>23,728</b> | <b>24,000</b> |

Capital reserve represents funds reserved for upgrading of buildings.

### 20. Designated Funds

#### 20.1 Capital balances - designated scholarship funds

|  | Balance as at<br>1.1.2014<br>Rs. '000 | Contribution<br>from the<br>Institute<br>Rs. '000 | Donations<br>received<br>Rs. '000 | (Transfers to<br>income<br>account)<br>Rs. '000 | Balance as at<br>31.12.2014<br>Rs. '000 | Balance as at<br>31.12.2013<br>Rs. '000 |
|--|---------------------------------------|---|-----------------------------------|---|---|---|
| L A Weerasinghe memorial<br>scholarship fund | 7,241                                 | -   | -                                 | -   | 7,241                                   | 7,241                                   |
| Merit scholarship fund                       | 6,043                                 | -   | -                                 | -   | 6,043                                   | 6,043                                   |
| CA Sri Lanka scholarship funds               | -                                     | 1,500   | -                                 | -   | 1,500                                   | -                                       |
|  | <b>13,284</b>                         | <b>1,500</b>                                      | <b>-</b>                          | <b>-</b>  | <b>14,784</b>                           | <b>13,284</b>                           |

|  | Balance as at<br>1.1.2014<br>Rs. '000 | Contribution<br>from the<br>Institute<br>Rs. '000 | Donations<br>received<br>Rs. '000 | (Payments)<br>Rs. '000 | Balance as at<br>31.12.2014<br>Rs. '000 | Balance as at<br>31.12.2013<br>Rs. '000 |
|--|---------------------------------------|---|-----------------------------------|------------------------|---|---|
| <b>20.2 Income balances – designated scholarship funds</b> |                                       |   |                                   |                        |   |   |
| L A Weerasinghe memorial<br>scholarship fund               | 3,586                                 | 2,702   | 41                                | (1,859)                | 4,470                                   | 3,586                                   |
| Merit scholarship fund                                     | 4,095                                 | 2,811   | -                                 | (2,843)                | 4,063                                   | 4,095                                   |
| CA Sri Lanka scholarship funds                             | 1,346                                 | 2,830   | -                                 | (2,300)                | 1,876                                   | 1,346                                   |
|  | 9,027                                 | 8,343   | 41                                | (7,002)                | 10,409                                  | 9,027                                   |
| <b>20.3 Capital balances – other designated funds</b>      |                                       |   |                                   |                        |   |   |
| Faculty of taxation fund                                   | 489                                   | 41  | -                                 | -                      | 530                                     | 489                                     |
| Faculty of auditing fund                                   | 472                                   | 39  | -                                 | -                      | 511                                     | 472                                     |
| Publication fund   | 306                                   | 26  | -                                 | -                      | 332                                     | 306                                     |
| Urgent Issues Task Force fund                              | 335                                   | 28  | -                                 | -                      | 363                                     | 335                                     |
|  | 1,602                                 | 134   | -                                 | -                      | 1,736                                   | 1,602                                   |
| Total designated funds                                     | 23,913                                | 9,977   | 41                                | (7,002)                | 26,929                                  | 23,913                                  |

The direct cost of Rs. 120,213/- for administering the Merit scholarship scheme was charged to educational activities. (Note 03)

## 21. Restricted Funds and Grants

### 21.1 Grants

|  |        | Balance as at<br>1.1.2014<br>Rs. '000 | Grants<br>received<br>Rs. '000 | (Reimbursements<br>/Amortisation)<br>Rs. '000 | Balance as at<br>31.12.2014<br>Rs. '000 | Balance as at<br>31.12.2013<br>Rs. '000 |
|--|--------|---------------------------------------|--------------------------------|---|---|---|
| World Bank grant - IRQUE project   | 21.1.1 | 7,112                                 | -                              | (2,318)                                       | 4,794                                   | 7,112                                   |
| World Bank grant - Strengthening<br>the Institute of Chartered<br>Accountants of Sri Lanka | 21.1.2 | 1,394                                 | 26,112                         | (16,607)                                      | 10,899                                  | 1,394                                   |
| PricewaterhouseCoopers grant   | 21.1.3 | 1,360                                 | -                              | (340)   | 1,020                                   | 1,360                                   |
| Ernst & Young SME grant  | 21.1.4 | -                                     | 1,300                          | -   | 1,300                                   | -                                       |
| GIZ project grant  | 21.1.5 | 424                                   | 1,258                          | (617)   | 1,065                                   | 424                                     |
| GIZ grant  | 21.1.6 | -                                     | 2,842                          | -   | 2,842                                   | -                                       |
| ICTA/SLASSCOM grant  | 21.1.7 | -                                     | 6,538                          | (1,095)                                       | 5,443                                   | -                                       |
|  |        | 10,290                                | 38,050                         | (20,977)                                      | 27,363                                  | 10,290                                  |
| <b>Revenue grants</b>  |        |                                       |                                |   |   |   |
| Sri Lanka Accounting and Auditing<br>Standards Monitoring Board<br>(SLAASMB) grant         | 21.1.8 | -                                     | 2,500                          | (2,500)                                       | -                                       | -                                       |
| Government grant   | 21.1.9 | -                                     | 600                            | (600)   | -                                       | -                                       |
| Total grants   |        | 10,290                                | 41,150                         | (24,077)                                      | 27,363                                  | 10,290                                  |
| <b>Grants - Total expenditure</b>  |        |                                       |                                |   |   |   |
| World Bank grant - Strengthening<br>the Institute of Chartered<br>Accountants of Sri Lanka |        |                                       |                                |   | 16,607                                  | 37,489                                  |
| World Bank grant - IRQUE project   |        |                                       |                                |   | 2,318                                   | 8,836                                   |
| PricewaterhouseCoopers grant   |        |                                       |                                |   | 340                                     | 340                                     |
| GIZ Project grant  |        |                                       |                                |   | 2,672                                   | 1,668                                   |
| ICTA/SLASSCOM grant  |        |                                       |                                |   | 1,097                                   | -                                       |
|  |        |                                       |                                |   | 23,034                                  | 48,333                                  |

### 21.1.1 World Bank Grant - IRQUE Project

|                         | Balance as at<br>1.1.2014<br>Rs.'000 | Grants<br>received<br>Rs.'000 | (Reimbursements)<br>Rs.'000 | Balance as at<br>31.12.2014<br>Rs.'000 | Balance as at<br>31.12.2013<br>Rs.'000 |
|-------------------------|--------------------------------------|-------------------------------|-----------------------------|--|--|
| Furniture and equipment | 2,218                                | -                             | (815)                       | 1,403                                  | 2,218                                  |
| Motor coach             | 4,519                                | -                             | (1,128)                     | 3,391                                  | 4,519                                  |
| Library software        | 375                                  | -                             | (375)                       | -                                      | 375                                    |
| <b>Total</b>            | <b>7,112</b>                         | <b>-</b>                      | <b>(2,318)</b>              | <b>4,794</b>                           | <b>7,112</b>                           |

Amortisation of grants consists of amortisation of property, plant and equipment related grant amounting to Rs. 1,943,441/- (Note 10) and amortisation of grant relating to library software amounting to Rs. 375,000/- (Note 12)

### 21.1.2 World Bank Grant

Strengthening the Institute of Chartered Accountants of Sri Lanka: Following activities have been carried out under the World Bank Project on strengthening the Institute of Chartered Accountants of Sri Lanka. Amortisation charge of Rs. 97,611/- corresponding to the depreciation charge of two laptops and the screen has been charged to component 3 - Programme to increase adoption of IFRSs.

|   | 2014<br>Rs. '000 | 2013<br>Rs. '000 |
|---|------------------|------------------|
| Component 1 : Implementing an audit quality assurance programme                       | 7,165            | 14,650           |
| Component 2 : Programme to assist and educate Small and Medium-sized Practices (SMPs) | 4,031            | 1,322            |
| Component 3 : Programme to increase adoption of IFRSs                                 | 5,398            | 12,176           |
| Component 4 : Programme to strengthen Public Sector Financial Management              | 13               | 9,341            |
|   | <b>16,607</b>    | <b>37,489</b>    |

### 21.1.3 PricewaterhouseCoopers Grant

This amount represents the HRI system worth Rs. 1.7 mn, received free of charge from PricewaterhouseCoopers.

### 21.1.4 Ernst & Young SME Grant

This amount represents the grant received from Ernst & Young to provide training on audit tool kit for Small and Medium Practices (SMPs).

### 21.1.5 GIZ Project Grant

This amount represents the grant received from German Agency for International Cooperation to develop and strengthen the skills and capacities of Small and Medium-sized Entities (SMEs) and Small and Medium-sized Practices (SMPs) in the country.

### 21.1.6 GIZ Grant

This amount represents the grant received from German Agency for International Cooperation for the development of the accounting standards for smaller size entities.

### 21.1.7 ICTA/SLASSCOM Grant

This grant has been received from Sri Lanka Association of Software and Services Companies (SLASSCOM) through Information and Communication Technology Agency (ICTA) as a part funding for the development of the Business Process Outsourcing Service Professional Qualification.

### 21.1.8 SLAASMB Grant

A grant of Rs. 2.5 mn was received from the Treasury (through the Sri Lanka Accounting and Auditing Standards Monitoring Board - SLAASMB) for the development of accounting and auditing standards. This was utilised in full for the said purpose.

### 21.1.9 Government Grant

A grant of Rs. 600,000/- represents the annual recurrent grant received from the Treasury through the Ministry of Cooperatives and Internal Trade.

|  | Balance as at<br>1.1.2014<br>Rs. '000 | Contribution<br>from the<br>Institute<br>Rs. '000 | Donations<br>received<br>Rs. '000 | (Reimbursements)<br>Rs. '000 | Balance as at<br>31.12.2014<br>Rs. '000 | Balance as at<br>31.12.2013<br>Rs. '000 |
|--|---------------------------------------|---|-----------------------------------|------------------------------|---|---|
| <b>21.2 Other restricted funds</b>                             |                                       |   |                                   |                              |   |   |
| Association of Public Finance<br>Accountants of Sri Lanka fund | 21,809                                | 1,420   | -                                 | -                            | 23,229                                  | 21,809                                  |
| Best annual report competition<br>fund (Note 21.5)             | 1,066                                 | 5,296   | -                                 | (33)                         | 6,329                                   | 1,066                                   |
|  | 22,875                                | 6,716   | -                                 | (33)                         | 29,558                                  | 22,875                                  |

|   | Balance as at<br>1.1.2014<br>Rs. '000 | Contribution<br>from the<br>Institute<br>Rs. '000 | Donations<br>received<br>Rs. '000 | (Transfers /<br>Payments)<br>Rs. '000 | Balance as at<br>31.12.2014<br>Rs. '000 | Balance as at<br>31.12.2013<br>Rs. '000 |
|---|---------------------------------------|---|-----------------------------------|---------------------------------------|---|---|
| <b>21.3 Capital balances - restricted scholarship funds</b> |                                       |   |                                   |                                       |   |   |
| CA Sri Lanka UK Members' scholarship fund                   | 31                                    | 3   | -                                 | (2)                                   | 32                                      | 31                                      |
| Prof. Y A D S Samaratunga memorial fund                     | 100                                   | -   | -                                 | (50)                                  | 50                                      | 100                                     |
| Prof. Kodagoda memorial fund                                | 197                                   | -   | -                                 | -                                     | 197                                     | 197                                     |
| PricewaterhouseCoopers scholarship fund                     | 40                                    | -   | -                                 | -                                     | 40                                      | 40                                      |
| Ernst & Young scholarship fund                              | 1,018                                 | -   | 845                               | (100)                                 | 1,763                                   | 1,018                                   |
| Miss. Inoka Gunaratne memorial fund                         | 16                                    | -   | -                                 | -                                     | 16                                      | 16                                      |
| Pelwatta Sugar Industries Ltd. fund                         | 80                                    | -   | -                                 | -                                     | 80                                      | 80                                      |
| Members' scholarship fund                                   | 747                                   | -   | 41                                | (731)                                 | 57                                      | 747                                     |
| Dalton Wijeyeratne memorial scholarship fund                | 6                                     | 2   | -                                 | -                                     | 8                                       | 6                                       |
|   | 2,235                                 | 5   | 886                               | (883)                                 | 2,243                                   | 2,235                                   |

|  | Balance as at<br>1.1.2014<br>Rs. '000 | Contribution<br>from the<br>Institute<br>Rs. '000 | Donations<br>received<br>Rs. '000 | (Payments)<br>Rs. '000 | Balance as at<br>31.12.2014<br>Rs. '000 | Balance as at<br>31.12.2013<br>Rs. '000 |
|--|---------------------------------------|---|-----------------------------------|------------------------|---|---|
| <b>21.4 Income balances - restricted scholarship funds</b> |                                       |   |                                   |                        |   |   |
| Prof. Y A D S Samaratunga memorial fund                    | 2                                     | 6   | 50                                | (36)                   | 22                                      | 2                                       |
| Prof. Kodagoda memorial fund                               | 31                                    | 18  | -                                 | (13)                   | 36                                      | 31                                      |
| PricewaterhouseCoopers scholarship fund                    | 5                                     | 4   | -                                 | -                      | 9                                       | 5                                       |
| Ernst & Young scholarship fund                             | 121                                   | 115   | 100                               | (173)                  | 163                                     | 121                                     |
| Miss Inoka Gunaratne memorial fund                         | 87                                    | 7   | -                                 | (38)                   | 56                                      | 87                                      |
| Pelwatta Sugar Industries Ltd. fund                        | 360                                   | 37  | -                                 | -                      | 397                                     | 360                                     |
| Members' scholarship fund                                  | 3                                     | 51  | 524                               | (106)                  | 472                                     | 3                                       |
|  | 609                                   | 238   | 674                               | (366)                  | 1,155                                   | 609                                     |
| <b>Total restricted funds</b>                              | <b>36,009</b>                         | <b>6,959</b>                                      | <b>39,610</b>                     | <b>(22,259)</b>        | <b>60,319</b>                           | <b>36,009</b>                           |

|   | Balance as at<br>1.1.2014<br>Rs. '000 | Contribution<br>from the<br>Institute<br>Rs. '000 | Donations<br>received<br>Rs. '000 | (Reimbursements)<br>Rs. '000 | Balance as at<br>31.12.2014<br>Rs. '000 | Balance as at<br>31.12.2013<br>Rs. '000 |
|---|---------------------------------------|---|-----------------------------------|------------------------------|---|---|
| <b>21.5 Best annual report competition fund</b> |                                       |   |                                   |                              |   |   |
| Deshabandu Albert Page (1992)                   | 679                                   | 188   | -                                 | (7)                          | 860                                     | 679                                     |
| Late Mr. Cyril Gardiner                         | 136                                   | 5,038   | -                                 | (19)                         | 5,155                                   | 136                                     |
| Hayleys PLC (1994)                              | 251                                   | 70  | -                                 | (7)                          | 314                                     | 251                                     |
| <b>Total</b>                                    | <b>1,066</b>                          | <b>5,296</b>                                      | <b>-</b>                          | <b>(33)</b>                  | <b>6,329</b>                            | <b>1,066</b>                            |

During the year a donation of Rs. 5 mn was made by Mr. Sanjeev Gardiner to the credit of Late Mr. Cyril Gardiner fund for the awards ceremony and council approved to set aside this amount of Rs. 5 mn for the use of advanced technology and future enhancement of the event.

## 22. Endowment Funds

### 22.1 Capital balances – prize funds

|   |        | Balance as at<br>1.1.2014<br>Rs. '000 | Contribution<br>from the<br>Institute<br>Rs. '000 | Donations<br>received<br>Rs. '000 | (Transfers to<br>income<br>account)<br>Rs. '000 | Balance as at<br>31.12.2014<br>Rs. '000 | Balance as at<br>31.12.2013<br>Rs. '000 |
|---|--------|---------------------------------------|---|-----------------------------------|---|---|---|
| CA Sri Lanka President's fund           | (1992) | 25                                    | -   | -                                 | -   | 25                                      | 25                                      |
| B R De Silva memorial fund              | (1992) | 25                                    | -   | -                                 | -   | 25                                      | 25                                      |
| A D B Talwatte fund                     | (1993) | 25                                    | -   | -                                 | -   | 25                                      | 25                                      |
| Satchithananda memorial fund            | (1993) | 16                                    | -   | -                                 | -   | 16                                      | 16                                      |
| Kreston MNS fund                        | (1993) | 30                                    | -   | 19                                | (19)  | 30                                      | 30                                      |
| Nivard Cabraal fund                     | (1994) | 50                                    | -   | -                                 | -   | 50                                      | 50                                      |
| Reyaz Mihular fund                      | (1996) | 25                                    | -   | -                                 | -   | 25                                      | 25                                      |
| D R Settinayake memorial fund           | (1999) | 68                                    | -   | 20                                | (20)  | 68                                      | 68                                      |
| A D E De S Wijeyeratne<br>memorial fund | (1999) | 43                                    | -   | 200                               | (200)   | 43                                      | 43                                      |
| Mohan Abeynaike fund                    | (1999) | 25                                    | -   | 54                                | (54)  | 25                                      | 25                                      |
| KPMG fund                               | (1999) | 113                                   | -   | -                                 | -   | 113                                     | 113                                     |
| Ernst & Young fund                      | (1999) | 200                                   | -   | -                                 | -   | 200                                     | 200                                     |
| SJMS Associates fund                    | (1999) | 66                                    | -   | -                                 | -   | 66                                      | 66                                      |
| Sunil Piyawardena & Co. fund            | (1999) | 55                                    | -   | -                                 | -   | 55                                      | 55                                      |
| Jayasinghe & Co. fund                   | (2000) | 30                                    | -   | 63                                | (63)  | 30                                      | 30                                      |
| Lal Nanayakkara & Co. fund              | (2000) | 75                                    | -   | -                                 | -   | 75                                      | 75                                      |
| G C B Wijeyesinghe<br>memorial fund     | (2000) | 50                                    | -   | -                                 | -   | 50                                      | 50                                      |
| Nihal Hettiarachchi fund                | (2000) | 51                                    | -   | 20                                | (20)  | 51                                      | 51                                      |
| Jayaweera & Co. fund                    | (2000) | 25                                    | -   | 41                                | (41)  | 25                                      | 25                                      |
| Brito Mutunayagam<br>memorial fund      | (2003) | 129                                   | -   | -                                 | -   | 129                                     | 129                                     |
| PricewaterhouseCoopers fund             | (2006) | 150                                   | -   | -                                 | -   | 150                                     | 150                                     |
| K G H De Silva prize fund               | (2006) | 121                                   | -   | -                                 | -   | 121                                     | 121                                     |
| BDO Partners prize fund                 | (2013) | 25                                    | -   | -                                 | -   | 25                                      | 25                                      |
| <b>Total</b>                            |        | <b>1,422</b>                          | <b>-</b>  | <b>417</b>                        | <b>(417)</b>                                    | <b>1,422</b>                            | <b>1,422</b>                            |

## 22.2 Income Balances - Endowment Funds

|                               | Balance as at<br>1.1.2014<br>Rs. '000 | Contribution<br>from the<br>Institute<br>Rs. '000 | Transfers<br>from capital<br>account<br>Rs. '000 | (Payments)<br>Rs. '000 | Balance as at<br>31.12.2014<br>Rs. '000 | Balance as at<br>31.12.2013<br>Rs. '000 |
|-------------------------------|---------------------------------------|---|--|------------------------|---|---|
| Prize funds - income balances | 187                                   | 162   | 417  | (135)                  | 631                                     | 187                                     |
|                               | 187                                   | 162   | 417  | (135)                  | 631                                     | 187                                     |
| <b>Total endowment funds</b>  | <b>1,609</b>                          | <b>162</b>  | <b>834</b>                                       | <b>(552)</b>           | <b>2,053</b>                            | <b>1,609</b>                            |

## 23. Borrowings

|                         | Balance as at<br>31.12.2014<br>Rs. '000 | Balance as at<br>31.12.2013<br>Rs. '000 |
|-------------------------|---|---|
| Payable within one year | 896                                     | -                                       |
| Payable after one year  | 829                                     | -                                       |
|                         | <b>1,725</b>                            | <b>-</b>                                |

Institute launched the corporate directors' programme as a joint initiative with the Securities and Exchange Commission of Sri Lanka (SEC) during the year, for which the SEC granted an interest free loan payable in four equal payments starting from the second programme.

| As at | 31.12.2014<br>Rs. '000 | 31.12.2013<br>Rs. '000 |
|-------|------------------------|------------------------|
|-------|------------------------|------------------------|

## 24. Retirement Benefit Obligation

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| Balance at the beginning of the year  | 23,018        | 20,197        |
| Provision made during the year        | 4,342         | 5,476         |
| Payments made during the year         | (2,919)       | (2,655)       |
| <b>Balance at the end of the year</b> | <b>24,441</b> | <b>23,018</b> |

### 24.1 Provision Made During the Year

|   |              |              |
|---|--------------|--------------|
| Interest cost                               | 2,302        | 2,020        |
| Current service cost                        | 2,723        | 2,501        |
|   | 5,025        | 4,521        |
| Net actuarial (gain)/loss recognised        | (683)        | 955          |
| <b>Total provision made during the Year</b> | <b>4,342</b> | <b>5,476</b> |

**24.2** Actuarial and Management Consultants (Pvt) Ltd., qualified actuaries carried out an actuarial valuation on the defined benefit plan-gratuity as at 31st December 2014. The assumptions used in determining the cost of retirement benefits are as follows:

|                         | 2014         | 2013          |
|-------------------------|--------------|---------------|
| Rate of discount        | 8% per annum | 10% per annum |
| Rate of salary increase | 7%           | 5% - 10%      |
| Retirement age          | 55 years     | 55 years      |

|   | 2014<br>Increase/(Decrease)<br>of defined benefit<br>obligation<br>Rs. '000 | 2013<br>Increase/(decrease)<br>of defined benefit<br>obligation<br>Rs. '000 |
|---|---|---|
| <b>Sensitivity Analysis to Salary Escalation Rate</b> |   |   |
| One percentage point increase                         | 623   | (474)   |
| One percentage point decrease                         | (597)   | 501   |
| <b>Sensitivity Analysis to Discount Rate</b>          |   |   |
| One percentage point increase                         | (545)   | 543   |
| One percentage point decrease                         | 578   | (521)   |

| As at | 31.12.2014<br>Rs. '000 | 31.12.2013<br>Rs. '000 |
|-------|------------------------|------------------------|
|-------|------------------------|------------------------|

**25. Trade and Other Payables**

|   |               |               |
|---|---------------|---------------|
| Accrued charges                               | 61,034        | 57,051        |
| Payables-capital projects                     | 25,318        | 6,393         |
| Payables on self-study courses and stationery | 2,055         | 851           |
| Miscellaneous payables                        | 171           | 302           |
| <b>Total</b>                                  | <b>88,578</b> | <b>64,597</b> |

## 26. Income Tax Liability

| As at                          | 31.12.2014<br>Rs. '000 | 31.12.2013<br>Rs. '000 |
|--------------------------------|------------------------|------------------------|
| Balance brought forward        | -                      | -                      |
| Charge for the year            | 4,952                  | 1,923                  |
| Charge for previous years      | 2,454                  | -                      |
| Total charge                   | 7,406                  | 1,923                  |
| Paid during the year           | (2,389)                | (1,923)                |
| <b>Balance carried forward</b> | 5,017                  | -                      |

Accounting for withholding tax was changed from cash basis to accrual basis with effect from 2014 due to the investments made in longer term fixed deposits. Had this been accounted for on cash basis withholding tax amount would have been Rs. 2,516,160/-. The effect of change from cash basis to accrual basis resulted in an increase of withholding tax charge for the year by Rs. 2,254,244/-.

| As at  | 31.12.2014<br>Rs. '000 | 31.12.2013<br>Rs. '000 |
|--|------------------------|------------------------|
| <b>27. Receipts in Advance</b>                       |                        |                        |
| Advances received for educational activities         | 128,281                | 184,829                |
| Advances received for member subscription and events | 13,845                 | 12,327                 |
|  | 142,126                | 197,156                |

## 28. Events Occurring After the Reporting Period

There are no material events occurring after the reporting period that require adjustment or disclosure in the financial statements.

## 29. Capital Commitments

Total capital commitment on curriculum project 2015, at the end of the reporting period is Rs. 78 mn.

### 30. Contingent Liabilities

The Institute has been paying the lease rent as specified by the local authorities. However the lease rent have been recomputed by the local authority and an arrears of Rs. 34 mn has been claimed in respect of the period 27th April 2007 to 28th April 2015.

As the management of the Institute is confident of receiving a favourable settlement in this regard, the additional lease rent of Rs. 34 mn has not been recognised in the financial statements.

### 31. Related Party Transactions

Payments are made in the ordinary course of business to any member of the Institute for certain specified activities. During the reporting period the following members of the Council have been involved in such activities at the request of the Council on behalf of the Institute.

#### Payments made during the Reporting Period

| Name                    | Transactions                    | 2014<br>Rs. '000 | 2013<br>Rs. '000 |
|-------------------------|---------------------------------|------------------|------------------|
| Mr. T Dharmarajah       | Technical activities            | 69               | 60               |
|                         | Educational activities          | 54               | 65               |
|                         | Student registration activities | 45               | -                |
| Mr. S M S S Bandara     | Educational activities          | 273              | 237              |
|                         | Technical activities            | 15               | 10               |
|                         | Examination activities          | 202              | 318              |
|                         | Lecture fees                    | 223              | 88               |
| Mr. Heshana Kuruppu     | Educational activities          | -                | 71               |
|                         | Lecture fees                    | 9                | 45               |
| Mr. Manil Jayesinghe*   | Technical activities            | 13               | -                |
|                         | Examination activities          | 425              | -                |
| Mr. Tishan Subasinghe** | Technical activities            | 12               | -                |
|                         | Examination activities          | 37               | -                |

\* An amount of Rs. 438,500/- which had been paid to Mr. Manil Jayesinghe by the institute in connection with the services rendered during the year was returned to the institute and credited to the Ernst & Young scholarship fund at the request of Mr. Manil Jayesinghe.

\*\* An amount of Rs. 16,000/- which had been paid to Mr. Tishan Subasinghe by the Institute in connection with the services rendered during the year was returned to the Institute and the same was credited to L A Weerasinghe memorial scholarship fund at the request of Mr. Tishan Subasinghe.

**Transactions entered into by the Institute with the audit firms where Council members are Key Management Personnel of those firms**

An amount of Rs. 1,283,699/- which had been paid to KPMG, where Mr. Jagath Perera is a key management person and also a member of the Council of the Institute for the outsourcing of the payroll function.

An amount of Rs. 291,360/- has been paid during the year to PricewaterhouseCoopers where Mr. Channa Manoharan is a key management person and also a member of the Council of the Institute, in connection with the subsequent modifications and upgradations made to the HRIS.

An amount of Rs. 1,300,000/- had been received from Ernst & Young as a grant, where Mr. Arjuna Herath and Mr. Manil Jayasinghe are key management personnel and also members of the Council of the Institute, for the purpose of providing training on Audit tool kit for Small and Medium Practices (SMPs).

However in making decisions pertaining to above transactions those members have declared their interest and refrained from participating in the decision-making process.

**Transactions Engaged Between CA Sri Lanka and AAT, where CA Sri Lanka appoints 8 Council Members out of the 16 of AAT**

| For the Year ended 31st December | 2014<br>Rs. '000 | 2013<br>Rs. '000 |
|----------------------------------|------------------|------------------|
| Rent paid to AAT                 | 1,160            | 1,615            |
| Sponsorships paid to AAT         | 128              | 162              |

## **32. Financial Risk Management**

### **Overview**

The Institute has exposure to the following risks from its use of financial instruments. These are monitored by the council and operational review committee on a regular basis:

1. Credit risk
2. Liquidity risk
3. Market risk

### **Risk management framework**

The council has overall responsibilities for the establishment and oversee institute's risk management framework. The council is supported by the operational review committee in managing all risk affecting the Institute.

#### **1. Credit Risk**

Credit risk is the risk of finance losses to the Institute if a recipient of a service or counterparty to a financial instrument fails to meet its contractual obligations.

The fixed deposits are held with the Government owned banking Institutions.

Available for sale instruments and repos are held only in government securities.

**Carrying Value as at 31st December**

|                                     | 2014<br>Rs. '000 | 2013<br>Rs. '000 |
|-------------------------------------|------------------|------------------|
| Held to maturity - financial assets | 265,936          | 348,146          |
| Available for sale financial assets | 39,916           | -                |
| Receivables                         | 46,661           | 26,064           |
| Repurchase agreements               | 60,000           | 18,000           |
|                                     | <b>412,513</b>   | <b>392,210</b>   |

**2. Liquidity Risk**

The Institute is managing the liquidity risk by ensuring that there will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable damages to the Institute's reputation.

**3. Market Risk**

Market risk is the risk that changes in interest rates will affect the Institute's income or the value of its holding of financial instruments.

The Institute manages and control the market risk exposure within acceptable parameters while optimising the return.

### Statement of Financial Position

| As at                            | 31.12.2014 |         | 31.12.2013 |         |
|----------------------------------|------------|---------|------------|---------|
|                                  | Rs.        | Rs.     | Rs.        | Rs.     |
| <b>Assets</b>                    |            |         |            |         |
| Balance at National Savings Bank |            | 641,337 |            | 612,557 |
|                                  |            | 641,337 |            | 612,557 |
| <b>Liabilities</b>               |            |         |            |         |
| Capital                          |            | 13,333  |            | 13,333  |
| <b>Income Account</b>            |            |         |            |         |
| Balance as at 1st January        | 599,224    |         | 571,742    |         |
| Add: Interest for the year       | 28,780     | 628,004 | 27,482     | 599,224 |
|                                  |            | 641,337 |            | 612,557 |

**Statement of Financial Position**

| As at                            | 31.12.2014 |         | 31.12.2013 |         |
|----------------------------------|------------|---------|------------|---------|
|                                  | Rs.        | Rs.     | Rs.        | Rs.     |
| <b>Assets</b>                    |            |         |            |         |
| Balance at National Savings Bank |            | 203,393 |            | 194,265 |
| <b>Total</b>                     |            | 203,393 |            | 194,265 |
| <b>Liabilities</b>               |            |         |            |         |
| Capital                          |            | 10,000  |            | 10,000  |
| <b>Income Account</b>            |            |         |            |         |
| Balance as at 1st January        |            | 99,265  |            | 95,550  |
| Add: Interest for the year       |            | 9,128   |            | 8,715   |
| Less: Prize paid                 |            | -       |            | (5,000) |
| Balance as at 31st December      |            | 108,393 |            | 99,265  |
| Creditors - CA Sri Lanka         |            | 85,000  |            | 85,000  |
| <b>Total</b>                     |            | 203,393 |            | 194,265 |

# ANNEXES

Summary of Financials - **132**

Appreciation - **134**

Regional Knowledge Centres - **135**

Corporate Information - **135**

## Statements of Comprehensive Income

| For the year ended 31st December                        | 2014           | 2013           | 2012           | 2011           | 2010           | 2009           | 2008           | 2007           | 2006           | 2005           |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | Rs. '000       | Rs. '000       | Rs. '000       | Rs. '000       | Rs. '000       | Rs. '000       | Rs. '000       | Rs. '000       | Rs. '000       | Rs. '000       |
| Direct income   | 762,773        | 653,545        | 516,207        | 463,757        | 383,424        | 341,891        | 269,471        | 221,635        | 189,917        | 158,165        |
| Direct expenditure                                      | (352,095)      | (309,054)      | (238,007)      | (225,055)      | (173,897)      | (161,464)      | (123,724)      | (101,830)      | (81,940)       | (74,874)       |
| <b>Contribution before employee costs and overheads</b> | <b>410,678</b> | <b>344,491</b> | <b>278,200</b> | <b>238,702</b> | <b>209,527</b> | <b>180,427</b> | <b>145,747</b> | <b>119,805</b> | <b>107,977</b> | <b>83,291</b>  |
| Other operating income                                  | 3,729          | 5,672          | 4,524          | 5,319          | 2,769          | 4,324          | 1,454          | 515            | 583            | 1,024          |
| <b>Operating income</b>                                 | <b>414,407</b> | <b>350,163</b> | <b>282,724</b> | <b>244,021</b> | <b>212,296</b> | <b>184,751</b> | <b>147,201</b> | <b>120,320</b> | <b>108,560</b> | <b>84,315</b>  |
| Total overhead expenses                                 | (324,486)      | (275,900)      | (205,547)      | (169,847)      | (153,491)      | (151,101)      | (120,566)      | (112,444)      | (104,029)      | (90,669)       |
| <b>Net operating income</b>                             | <b>89,921</b>  | <b>74,263</b>  | <b>77,177</b>  | <b>74,174</b>  | <b>58,805</b>  | <b>33,650</b>  | <b>26,635</b>  | <b>7,876</b>   | <b>4,531</b>   | <b>(6,354)</b> |
| Finance income  | 37,642         | 41,681         | 31,232         | 30,322         | 32,111         | 43,732         | 35,597         | 24,291         | 13,915         | 9,569          |
| <b>Surplus for the year</b>                             | <b>104,102</b> | <b>105,039</b> | <b>102,007</b> | <b>104,846</b> | <b>91,266</b>  | <b>77,682</b>  | <b>62,532</b>  | <b>32,467</b>  | <b>18,746</b>  | <b>3,515</b>   |
| <b>Total comprehensive income</b>                       | <b>104,513</b> | <b>104,084</b> | <b>101,758</b> | <b>105,268</b> | <b>91,266</b>  | <b>77,682</b>  | <b>62,532</b>  | <b>32,467</b>  | <b>18,746</b>  | <b>3,515</b>   |

## Statements of Financial Position

| As at 31st December                 | 2014             | 2013             | 2012             | 2011           | 2010           | 2009           | 2008           | 2007           | 2006           | 2005           |
|-------------------------------------|------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                     | Rs. '000         | Rs. '000         | Rs. '000         | Rs. '000       | Rs. '000       | Rs. '000       | Rs. '000       | Rs. '000       | Rs. '000       | Rs. '000       |
| <b>Assets</b>                       |                  |                  |                  |                |                |                |                |                |                |                |
| Total non-current assets            | 891,567          | 617,016          | 630,701          | 224,097        | 89,406         | 70,976         | 62,535         | 54,394         | 43,740         | 25,690         |
| Total current assets                | 268,843          | 433,258          | 390,805          | 518,458        | 513,663        | 420,034        | 319,126        | 237,655        | 184,607        | 163,168        |
| <b>Total assets</b>                 | <b>1,160,410</b> | <b>1,050,274</b> | <b>1,021,506</b> | <b>742,555</b> | <b>603,069</b> | <b>491,010</b> | <b>381,661</b> | <b>292,049</b> | <b>228,347</b> | <b>188,858</b> |
| <b>Funds and liabilities</b>        |                  |                  |                  |                |                |                |                |                |                |                |
| Total accumulated fund and reserves | 789,440          | 684,927          | 580,843          | 489,085        | 383,817        | 292,551        | 214,869        | 152,337        | 119,870        | 101,729        |
| Total funds and grants              | 89,301           | 61,531           | 86,453           | 42,759         | 52,069         | 60,000         | 48,474         | 43,919         | 39,219         | 23,819         |
| Non-current liabilities             | 25,270           | 23,018           | 20,197           | 17,626         | 17,210         | 19,455         | 19,079         | 20,046         | 19,283         | 16,831         |
| Current liabilities                 | 256,399          | 280,798          | 334,013          | 193,085        | 149,973        | 119,004        | 99,239         | 75,747         | 49,975         | 46,479         |
| <b>Total funds and liabilities</b>  | <b>1,160,410</b> | <b>1,050,274</b> | <b>1,021,506</b> | <b>742,555</b> | <b>603,069</b> | <b>491,010</b> | <b>381,661</b> | <b>292,049</b> | <b>228,347</b> | <b>188,858</b> |

## Statements of Cash Flows

| For the year ended 31st December                    | 2014     | 2013      | 2012      | 2011      | 2010     | 2009     | 2008     | 2007     | 2006     | 2005     |
|---|----------|-----------|-----------|-----------|----------|----------|----------|----------|----------|----------|
|   | Rs. '000 | Rs. '000  | Rs. '000  | Rs. '000  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Net cash inflow/(outflow) from operating activities | 60,032   | 23,900    | 217,619   | 119,550   | 81,014   | 56,442   | 45,787   | 31,229   | 1,774    | 8,712    |
| Net cash inflow/(outflow) from investing activities | (43,681) | (100,372) | (182,117) | (295,442) | (4,939)  | 23,485   | 14,318   | 3,945    | (10,669) | 3,336    |
| Net cash inflow/(outflow) from financing activities | 53,572   | 25,677    | 13,863    | 1,308     | 3,387    | 16,709   | 13,037   | 11,798   | 20,191   | 8,926    |
| Cash and cash equivalents                           | 81,240   | 11,317    | 61,770    | 12,405    | 204,211  | 366,527  | 266,779  | 196,749  | 143,777  | 138,481  |

The Council of CA Sri Lanka acknowledges with appreciation the assistance and support extended to the Institute by the following and wishes to thank them:

- Hon. Minister of Co-operatives and Internal Trade
- Secretary and senior staff of the Ministry of Co-operatives and Internal Trade
- Committee members and other members of the Institute
- Staff of the Institute
- Other professional bodies that have lent support during the year
- Institute's lead sponsors and other sponsors
- Resource persons at conferences, seminars, discussion groups and lecturers
- Training partners
- Institute's media sponsors and all the representatives of media
- CA Sri Lanka teaching Colleges
- Government officials
- Service providers

and others who made their contributions during 2014 and are too numerous to mention individually.

By order of the Council



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Secretary/Chief Executive Officer

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**Legal Form**

The Institute of Chartered Accountants of Sri Lanka has been established by Act of Parliament No. 23 of 1959.

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**Bankers**

Bank of Ceylon  
People's Bank  
Sampath Bank PLC  
Hatton National Bank PLC





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