

FUSION

10th Edition | 2014

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who we are

The CA Students' Society is the students' body of the Institute of Chartered Accountants of Sri Lanka. CA Sri Lanka currently has a registered student population of above 45,000.

We were formed in 1981 to provide educational, professional, sports and social activities for the benefit of the students of CA Sri Lanka and also to represent the interests of the student population of CA Sri Lanka and currently represent students from around 30 entities, including firms of Chartered Accountants and Mercantile firms.

Our Society has a history that goes back over three decades, which is of not just events and achievements that we are proud of, but memories that we take with us as we move on and cherish forever.

our vision

To do, to endeavor, to aspire, to make, to add value for the students.

our mission

To function as a student body and to promote further, the interests of the students in the education, literary, sports, social, cultural and any other sphere of activity by co-operating and associating itself with the Institute of Chartered Accountants of Sri Lanka as and when necessary, and to promote social interaction with other student bodies both here and abroad by applying the finance of the society in a manner most conducive to carrying out and promotion of those activities.

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President's Message



A journey of a thousand miles begins with a single step...

It is with great privilege and honour that I pen down these few lines for the 10th Edition of the Fusion Business Magazine. A decade has gone and the Fusion has grown in to a fine tree with deep roots which contains the brilliance of our CA Students, commitment of the Editorial team of the CA Students' Society and other illustrious personnel.

This year's Fusion showcases the winning articles of the CA Students' Article Competition, which is conducted for both local and SAFA students and I am happy to announce that this year we received a record-breaking number of articles since the inception of this competition back in 2012.

I would also like to pay my sincere gratitude to the following distinguished personnel; Dr. Hans Wijayasuriya; Group CEO of Dialog Axiata PLC, Messrs Bathiya Jayakody and Santhush Weeraman; world renowned Sri Lankan musicians and Mr. Julian Bolling a Swimming Legend of Sri Lanka for giving us a time from their busy schedules to conduct this year's Fusion interviews on their journey in achieving supremacy in life.

The Fusion magazine's aim is to be dynamite, highly informative and entertaining source for budding Chartered Accountants and to add value to our conventional number crunching work style. Launching of the Fusion Business Magazine; the only business magazine for CA students remarks the end of another successful year of the CA Students' Society and this, as always, is a work of collective enterprise and I should congratulate the Editorial Committee for undertaking this hugely intense task and executing it finely.

10 years of the Fusion Business Magazine was not an easy task and since its inception it has spread its roots deep and strong and this was possible merely due to the hard work put in by the previous year's committees, reminding us the words of the great Henry Ford "*Coming together is a beginning; keeping together is progress; working together is success...*"

Krystle Reid

President

Chartered Accountants Students' Society 2013/14

Editor's Note



As the Editor, it is with immense pleasure and a deep sense of pride that I contribute this brief message for the 10th Edition of the Fusion Business Magazine, presented to you by the Chartered Accountants Students' Society.

This edition marks the conclusion of another year of excitement for the CA Students' Society. The year saw the launch of the Constitution of the Society which opened up avenues for the Non Public Practice sector to partner with us, amongst many other changes that were geared towards improvement and development.

I am indeed very happy at the remarkable response that I received from both the Sri Lankan as well as other South Asian Region colleagues in contributing for the CA Students' Article Competition 2013/14. The winning articles have been published in this edition of the Fusion Business Magazine and you will find them to be very educative and insightful. Your enthusiasm definitely added flavour to this issue and was a source of encouragement for me. We hope that our effort to share knowledge, concerns and special insights with the student community is successful.

The future scope of the Fusion Business Magazine is open for your suggestions. Your feedback will be immensely appreciated and will also form the bedrock upon which the quality of the future editions will lie.

I wish to extend my sincere gratitude to our sponsors and the staff of CA Sri Lanka for their support and I gratefully acknowledge the effort of the Editorial Committee and the fellow Committee members without whose support this magazine would not have been a success.

Fazil Buharie

Editor-in-Chief

Chartered Accountants Students' Society 2013/14

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Interview with
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1. Please take us down your memory lane to what you have become today.

I started my primary education at S. Thomas' College, Mount Lavinia where I completed my G.C.E. Advanced Level examination in the year 1986. My vision as a kid was to move into medicine. My father was the Auditor General at that time and one of the active Chartered Accountants in the profession. I remember hanging in and around the Institute of Chartered Accountants of Sri Lanka at Longden Place (Presently Malalasekara Mawatha) waiting for my father to finish off his lectures and paper marking activities. But there is no denying the fact that, the Institute was not one of my favourites because it took away a lot of my father's time. My mother was a painter and being the only child of the family, I had a lot of exposure as to what goes on in the world of a chartered accountant. Nevertheless, notwithstanding the fact that I first went on pursuing my interest in medicine, but soon after my Ordinary Level examinations I preferred Mathematics and Engineering. So, from thereon I targeted engineering and went to Cambridge University for my first degree. Right along, my intention was to orient my career in a way that I could work and contribute to my mother land Sri Lanka. So straight after my first degree I came back for five years, and worked at IBM for a period of two years, where I was into Information Systems and a bit of Marketing Oriented activities. IBM is a place that gives you an all-round exposure because even though you join as an engineer they will make a salesperson out of you. More or less it helped me to appreciate customer needs and to transfer technology to actual implementation.

Then, I was offered a scholarship to do my PhD, and that was the turning point of my life, because I had to decide what I really wanted to do. I put a lot of thought into what I could do as a PhD topic which will still be relevant in Sri Lanka. So I made up my mind that I was going to choose something which would be relevant, which would give me the satisfaction of bringing back technology to Sri Lanka. So, I thought a lot about it and at that time "Celltel" had just got off the ground (in the early 90's). That was the time people used to show off mobile phones as luxury items. I recall the time when IBM had two mobile phones for the entire office and it was one of those rare things you make a call out of. But some instinct inside me told that, four years from then that mobile technology will go digital, and that mobile telephony will be a transforming technology and that it will transform Sri Lanka. So I chose to do "mobile communications" for my PhD which then worked out to be "the" most important decision that I made. In the year 1994, when I was just finishing my PhD, I was back in Sri Lanka for a holiday and to complete my thesis more peacefully that I bumped into late Mr Mano Wickramanayake, Director of the Maharaja

Group who was involved in setting up MTN networks, a subsidiary of the Maharaja Group who extended an invitation to join hands with them to build the island's first digital network for mobile telephony. I joined them as an Engineering Manager in 1994 and became Chief Technology Officer (CTO) in 1996 and then Chief Executive Officer (CEO) in 1997, where I still remain.

2. Your top achievements as a prominent business personality in Sri Lanka include being the recipient of the CIMA – Janashakthi Business Leader of the year in 2003 and being honoured with the coveted "Sri Lankan of the year" in 2008, by the popular business journal, LMD. Tell us the secret mantra of your success and what were the most crucial qualities that helped you become a winner in this competitive market?

Neither I nor my company have never gone behind awards. We went for a few competitive awards in our early days. But from a personal perspective, I've never applied for an award as awards tend to disorient the individual, targeting the award rather than the outcome. With regards to the CIMA – Janashakthi Business Leader Award, they recognised me at that time for the growth that was delivered to the company. I'm honoured by that. When I was informed that LMD has selected me as the "Sri Lankan of the year" I tried for about a month to convince them to give it to some other deserving individual. But yes, I'm honoured with it and I accepted it on behalf of the many people who were silent, were not seen and yet had achieved and contributed a lot to the company. I was very visible at the time since Dialog was a very visible company but there were many others who worked towards more transformatory outcomes who were never seen or heard of.

As for the secret mantra of success, I guess there are a few principles that I use in leadership. One is, "Do your best". My advice for students, potential employees or my professional mentees is "don't leave any stone unturned". Practice it on a day to day basis and then the outcomes will happen. For instance, some people may target to be a CEO in five years. That's fine to shape your personal strategies or vision. But one has to be aware that a personal target of such kind can also demotivate you because not everybody needs to be a CEO. Your character may not be built to be a CEO but you may be a subject matter expert, which is equally important. You cannot have ten CEOs in a round table. For an instance, if I had ten CEOs in my management team all having the same attributes and thinking patterns of a CEO, it won't work. You need to have functional experts as well as general managers. So, not being driven by a personal goal is a principle that I have always followed. Instead, be driven by doing your best according to the expectations placed on you by the stakeholders. In this instance, the stakeholders would be the shareholders,

the Chairman and the Board of Directors who set your Key Performance Indicators (KPIs), the employees and your team and then the customers and in a business like ours it's also the general public because we're very much a part of society. So maintaining the balance between these groups of stakeholders and delivering my best on a day-to-day basis is always what I have focussed on. It's important not to go into an extreme on a single dimension. And on a personal attribute point of view I would say I am generally a calm person not being reactive or angry all the time. So this helps in my decision making process to determine the optimal outcome under the given circumstances. This helps me to make decisions devoid of emotional attachments and taking into consideration the needs of the various stakeholders.

And also, as a CEO I take on board the fact that my key task is to manage uncertainty. Especially, in a competitive world the competition is not only from your direct competitors, but also the environment that defines the competitive framework. So the shape of the playing field varies according to the external environment and external forces which includes the economy too. So on that playing field you get three, four or in our case five players. What's more important is that you have to first manage the shape of the playing field. One needs to understand the playing field first, rather than focus primarily on the competition without knowing the playing field. So, the task of the CEO is to take on that

uncertainty which is beyond competition. On one hand it is tough since things change all the time and every day poses new challenges. Especially in South Asian markets which are politically influenced one way or the other, the markets are not insulated from the external environment. It is common in all sectors, be it FMCG, Telecommunications or Finance. The economy too has a big role to play in our business. So taking on those uncertainties, when I come back into the organisation I have to be able to reduce that uncertainty so that my next layer, the Senior Management starts the day with less uncertainty than I do. And they need to do the same to their subordinates. So in the ideal world, if you can drive that down the pyramid, by the time it comes to the operational layer of the organisation, things are very certain. Therefore, if it's a customer service officer or a call centre officer or somebody speaking to a customer in the capacity of a technician who has to repair something as fast as possible, they don't need to worry about everything else. So, those are some of the personal leadership paradigms I work under.

3. Developing and implementing high-level strategies, making major corporate decisions and managing the overall operations and resources of a company are some of the key roles of a CEO. What are the characteristics that you believe that aspiring leaders should develop to successfully perform such functions?

First there is this debate as to whether leaders are made



or born. But what I believe is, we all have leadership in us. For example, if you look back, your parents were the leaders of a small team since your birth. Relating this to what I explained before, “Uncertainty reduction” is the KPI for a parent. They don’t bring the uncertainties of the external environment into the home. When the homes breakup or get dysfunctional it’s when either some external problem comes into the home or the parents themselves create uncertainty between themselves. With the exception of an unfortunate circumstance of an orphan, the family is the smallest team that every one of us has worked for, starting as a subordinate and eventually leading the team. So any human being has worked from being a team member to being a leader.

Now, why is it that you can’t transfer it to the workplace? I don’t see any reason. That’s why I insist on the fact that leaders can be made, but not necessarily made by someone else. It’s that the individual needs to make themselves into leaders. So, I think learning is one aspect and respect is another. Respect for the individual, respect for your peers, respect for diversity are the new factors that come in as you go from home into school, the community, the society and the corporate world. For example, as a school prefect you need to be able to manage diversity. You have to manage the person who is rioting all the time as well as the one who is studying. Likewise, as a sports captain one has to manage a lot of diversity. These help one to gradually learn to manage different characters, different skills and I believe you need to really value people for who they are and not try to make carbon copies of yourself as a leader. For example, if a cricket captain creates carbon copies of himself who is a great batsman but not a good bowler, this does not result in a winning outcome. What is important is to supplement the leaders’ weaknesses with others’ strengths. Therefore, being open to diversity and making optimum use of it, learning from everybody else including your subordinates, being focussed on the task in hand are the basic human qualities that will make leaders out of us. That’s the simplest advice I would give. I will not prescribe that a person should read a particular leadership book. It is important to understand that various individuals will have various leadership styles and each has to respect that fact.

4. What are the strategies Dialog Axiata PLC has taken to protect its position as market leader amongst other players in a highly competitive telecommunications sector?

Being fairly focussed and balanced has helped Dialog becoming the market leader from 2000 onwards. Having started as Number 4, I think it is quite unique for an organisation to retain the market leadership whilst everything has changed and is changing. We entered the market riding on two waves. One was the shift from analog to digital and the other was the vision to make the mobile phone applicable to every Sri Lankan,

which our competitors did not possess at that time. They did not have the vision and they did not have analog to digital conversion. They could have obtained the technology but it was just a matter of their vision. The competitors at that time did not see the mobile phone as the communication tool for millions of people. They saw it as an exclusive product. Therefore, they saw the market as being small and so they could not justify spending on digital. Therefore I believe that they went on for an extent of two years, too long with analog technology. For example, if our competitors moved into digital in 1997/98, the game would’ve been completely different. But why they didn’t was that they did not have faith in the Sri Lankan market while on the contrary we envisioned a market of ten million. Our business plans in the late 1990’s were all set out for a ten million market. So we made our investments, future plans to drive a ten million base. I’m pretty sure that if you dig up the plans of our competitors, probably it would’ve been for a customer base of around 100,000-200,000.

Starting from there, we used four dimensions of leadership in our planning. We have used it consistently since 1997. They are “profit and value leadership”, “market leadership”, “product leadership” and “corporate leadership”. Profit and value is mainly on delivering the best returns to the shareholders, the best security and assurance to debt providers. We ensure during our annual business plans that we have programmes, initiatives and action plans to drive our profit and value leadership dimension. Under that we create so many sub-items to make that of high importance. For example strategies which drive the External rating of the company, Strength of the balance sheet, free cash flows etc.

“Market leadership” is not only defined as customer share but also as revenue share. Also other matrices such as to have the highest brand equity, the largest channels or distribution networks, top of mind recall as the leading telecommunications service provider, are used to assess market leadership. All initiatives and KPIs are channelled towards achieving this dimension.

“Product leadership” is not only technology but also customer service, because for the consumer the product and the service is considered as one bundle.

“Corporate leadership” builds around Corporate sustainability, Human resources, IT systems & processes and Governance.

Therefore, when we plan our business annually, we have these four dimensions, with our action plans and KPIs to be set across all four. So that balance will ensure that even if one of these gets affected negatively, the others can always substitute. That is how we have been sustainable over the years. For example, if you just went for market leadership in terms of customers, which is what a lot

of our competitors do by undercutting and having very cheap packages flooding the market, they might capture some market share in the short term but without focus on products or profitability they eventually pull out of the market. Whereas, Dialog has been generally consistent in market branding using advertising & promotions to build the brand, being competitive with the product offering and in the meantime be profitable to look after our corporate strengths.

One example was in 2008/09 period where we had a tough period. Externalities drove the situation to a large extent and on top of that the price wars prevailed in the industry. During this time period our profit and value dimension crashed. Revenues dipped and Dialog and SLT went into losses for one year. But as we had other dimensions which were strong, we were able to overcome the situation. The first decision taken at the time was that marketing expenditure would not be reduced. Therefore, throughout the years 2007-2009, though the financials were really threatened, we went strong on marketing, customer service, training and we did not let go the other three dimensions. The philosophy was to “use those other dimensions to repair the profit and value dimension”. And verily after seven quarters of loss making Dialog was able to bounce back. In terms of competitiveness, that’s why I believe that Dialog has continued to be the market leader. Because no single event can pierce the structure. So, you shoot an arrow at one, we will hit back from three sides and thereby continue to lead.

5. Tell us your feelings about the future growth of this industry and as to what direction the industry is moving? Where does the industry’s future lie?

That’s a very interesting question as it deals with one of those externalities or uncertainties that occupies our minds. Globally, all legacy TelCo’s are under threat due to the internet and it’s over the top (OTT) players. i.e.: Players that come in over the top of the infrastructure of the legacy players like us. They come over the top and steal your cherry. E.g.: Skype, which operates on infrastructure setup by telecommunication companies, skim over the top and steal the revenue meant for TelCo’s. Such other examples of big players include Netflix, Facebook to a certain extent and Google. Having said that, one cannot ignore the smaller players in the field, who are capable of riding on top in every single market. One extreme risk here is that the telecommunication companies who have invested very large amounts of money on solid infrastructure, whether they may be networks or fibre optic cables or sub marine cables are becoming what is known in the industry as a “Dumb pipe”. A “Dumb pipe” means you just become like an ordinary water pipe or an electricity cable. I believe that there’s nothing great about the water board or the electricity board, even though they’re essentials, over the years have turned

out to be dumb utilities. So, TelCos are the next. If you don’t change fast they’ll become dumb. As consumers, you will not be engaging with the TelCos but with the service providers. Apple is a good example. In the US, if you ask a mobile consumer as to who gives him/her the mobile telephony experience and who he/she is loyal to? The answer will be Apple. That is because Apple is giving the consumer the mobile telephony experience and the carrier who is plugged in is a second choice. In the US, you can even keep your number and change the network. Therefore, the choice of carrier is immaterial. The service provider that provides your voice calls may be Viber, and the service provider facilitating messages can be Whatsapp. So, in the developed world, it has already happened, where the OTT players have captured the consumers and TelCos becoming utilities like roads, electricity etc. which are taken for granted as low value adding services. So an operator needs to take that decision as to where it plays. Do you play as dumb pipe or do you try to make your pipe very smart so that you can compete with all these OTT players or are you going to place yourself somewhere in between where you become a smarter pipe and collaborate with the digital players in order to add value to the consumer. It’s important to keep in mind that you always own the consumer, which is the target. So, who owns the consumer relationship is the key. The choice is, can I do it on my own or do I need to partner with others to own the consumer. In the developing world, there is time to capture that middle position because the big OTT players have not been able to penetrate the market as yet for reasons such as low electronic payment penetration. So other than the free services, the developing markets are yet to be captured by the OTT players. In contrast, the consumers in this part of the world trust their mobile service provider than the banking and payment system. That is a huge opportunity and if you understand that, then you can leverage your trust and add value to the customers and create yourself a chance. So, navigating the future in this part of the world is about striking the right partnerships and leveraging your consumer relationships to give maximum experience to the consumers. And hence we have moved into mobile payment (eZ cash), where we have invited all the operators to join the movement, and transportation through “touch” (payment mechanism in public transport) as a pilot project and getting into micro payments and also from a commercial point of view we invested in Digital Commerce Lanka (anything.lk). So we will contribute to all these spaces from what we have gained through consumer relationships, trust and knowledge gained over time. It is a risky time for TelCos and we have to be sure that we can navigate this transformation from Legacy to internet player while retaining our brand as well.

We went into DialogTV, about four years ago and even with a 350,000 customer base I would say it is yet to reach its’ potential. By the end of the day, you have the



Dialog logo in your house, so that builds that trust and if we take it to a million homes in the next three years, that will be more powerful than what Google can really achieve.

6. What has been your biggest challenge so far at the helm of Dialog?

It was that downturn in 2007/08 that I explained earlier. It's a good case study if you'll do it. Because if we look at that period, the war escalated since a decision was made in late 2006 to accelerate the war. So that resulted in a lot of defence spending that caused inflation in the economy. It reached the high twenties and interest rates rose simultaneously to around 25%. Naturally, consumer spending fell and to add to that, fuel prices increased in the world market and the economic crisis crippled the Global economy. So, we were facing a situation where our consumers were getting poorer, our inputs were getting far more expensive (fuel, increase in VAT, transport, electricity) which still could've been managed. Then, the industry went into a price war triggered by the state owned enterprises. Revenue dipped even lower. At a time of economic distress, it is not wise to reduce prices because the consumers will not be elastic at that time. The moment you reduce prices when they're under pressure, they say Thank You, take the discount from the TelCo and buy more essential goods. So, it was the worst thing that the industry went through and Dialog went from Rs. 9.5Bn profit to Rs. 1.2Bn loss in one year. The shock to the organisation was huge and managing through that was a challenge. We had to resize, retrench and did everything systematically. We had to carry our employees with us through that situation. I used to speak to the entire company on a monthly basis by going around and explaining the ground realities to them. We had to cut by around 1,000 staff within that year. It was

tough and emotionally very draining but because we communicated very clearly, even the employees knew and they almost participated in this scheme to recover the company. We used Cost Accounting principles such as Zero based costing and Activity Based Costing (ABC) in the process. We analysed activity-by-activity and carried out an exercise which we called cost rescaling (not cost cutting). So, we looked at all our cost drivers (around 55 cost drivers) and we looked at the drivers in 2005, where we were making super-profits. We analysed all activities versus costs, without looking at the revenue (since revenue was under pressure). We went into a very detailed, micro level analysis of ABC which helped to turn the company around in seven quarters.

7. Apart from being a top performing company, Dialog Axiata PLC was ranked 4th in the list of most respected entities in Sri Lanka - 2013, compiled by LMD. Can you describe how your company secured this rank and as to what are the key values and ethos that drive the company?

As explained earlier, keeping the stakeholder in view probably contributes a lot because society, community, customer and shareholders are our key stakeholders. This ranking is a research based ranking, so we use it more to look at the gaps as to why can't we become number one. That's what we use the ranking for because it breaks it into different segments. And this is a perception ranking which illustrates how people perceive the organisation in about 11 dimensions. So we look at how this research base, which is largely executive level and look at the gaps and if they're valid, then try to bridge those gaps.

8. Corporate Social Responsibility has become a main topic in the current dynamic business environment. Dialog has been proactive in this sphere. How do you see the importance

of CSR and the impact of CSR on shareholder wealth?

We do not have a CSR division at Dialog. What we have is a sustainability team. There're many dimensions to CSR. One is Corporate Philanthropy, which is basically supporting one cause or the other. For example, making a donation to build a hospital where you have a certain budget for the cause. But that does not channel the spirit of the organisation towards the cause because in effect, you're writing off that expense and you're not responsible for that outcome. But from a Public Relations perspective, unfortunately it is those initiatives that the media rewards because a photograph appears where somebody gives a cheque, and that photograph is published a hundred times which gives the impression that the company is involved in a lot of CSR activities. I know of some large corporates who merely focus on that alone. Way back in 1998, we took a decision that we'll do some corporate philanthropy without much publicity, but now we have one of the largest eventual budgets which we invest in Society. Our Corporate accountability ranking has been number one, for the last four years, amongst all corporates. That's because that research is done in detail not based on perceptions but is based on an actual study of what the organisation has done and how it carries its sustainability. If one reads our Sustainability report, he/she will find the science behind how we do it.

The other dimension to this is what I call "Integral Corporate Responsibility", which is business integral corporate responsibility. What is meant by business integral is that you ensure that all your business planning takes into account the impact as well as the betterment of the society. If you measure every single investment that you do, against what more can it do in terms of contribution to society and community, then whatever you do in that dimension will be integral to your business philosophy which will be supported by everyone in the organisation and it will have a definite outcome. A classic example would be our TV business.

When we made the investment on TV, we evaluated what can having your own TV station do for society in addition to a normal business. We took on board the fact that we can fill a gap where religious content is concerned because state owned or otherwise, commercial television can't attract advertising revenue for religious programmes. So therefore you do not get real religious programmes except for semi-commercial activities such as opening a place of worship etc. So way back in 2007, when we setup DTV, we decided that we are going to set aside a minimum of five channels for religion and minimum five channels for education. That was the birth of "Nenasa" which we took to the schools. We do not earn anything from "Nenasa" which is given free to the schools in addition to the supplied equipment such as the televisions.

Considering another investment, eZ cash, it was questioned as to how much more you need to really make it more enabling for rural entrepreneurs. So in that way, we make sure that all our innovation and investments drive a contribution to society so that when you add it up, our contribution will be far greater than writing cheques.

9. Dialog has stepped in as one of the main sponsors of the Sri Lankan Cricket team. As budding Chartered Accountants, we would like to know your views on the importance / role of sports in developing good corporate leaders.

It's huge. Sports in the right spirit is an enjoyable training ground for leadership, for teamwork and for planning. I myself am a rugby fan and I use the rugby team model for the management team. The composition of a rugby team, in terms of diversity is very similar to a good management team. You need the actual progress of the game driven by the forwards, who are not necessarily fast but are strong, patient and having force. They'll progress the baseline of the game. And then you need the very flexible, dynamic risk takers who are on the line



who will take a few risks and then you need back up (the No. 8, the second row and the flankers) when the front line dashes and is tackled, to recover and recoup the possession. So, if you look at a management team you need those characteristics. Likewise if in my team of nine, if I have all strategic thinkers, it won't work. So, even in the management team you get 2 or 3 who are extreme risk takers. And you must not pull them back and they must respect the fact that there would be others who would consolidate what they do and advice not to run fast and say "hang on, there's something called a budget, you can't do whatever you want" etc. That needs to be there in a team setting where diversity is respected. Unfortunately what happens is that sport is not promoted for the right reasons (even in schools). I find sometimes that it's only to win, that's it and not to develop good human beings. So, I certainly encourage sports, even at our office but oppose importing talent to win which does not make sense. My advice to our staff who take part in sports is "never mind losing, may be playing in C Division, that's OK but enjoy playing together as a team which combines talent".

With regards to Sri Lanka Cricket, it was a tough decision and a big bill to pay. But, I believe that it represents the passion of the nation which even our advertising theme revolves around. Cricket is the passion of Sri Lanka. And as a service provider who is in every Sri Lankan home in some way, one way or the other we value being part of it.

10. How would you SWOT the local telecommunications arena?

In relation to the region, we possess a lot of strengths. Regulations are good in Sri Lanka and is very progressive. And generally speaking, we have a listening regulator, who listens to the industry and takes a fair line between the industry and consumer and it does not just drive prices down. The license fees typically have been moderate whereas in our neighbouring countries like India or Bangladesh the regulators charge excessively high fees to boost revenues for the government, which has crippled the industry. In terms of technology, I think this has provided the base for service providers to innovate a lot and bring new technologies. And the regulators too work together very well. For example, for the eZ cash project, we were able to architect the service in collaboration with the Central Bank of Sri Lanka. We have the regulatory environment and a backdrop for mobile money which is superior to that of anywhere in the region. So, as a whole the favourable regulatory environment, keeps the industry ahead in Sri Lanka.

One area which is probably not as strong is international connectivity and also the fibre optic connectivity in the country. I think now it is building up with both SLT and Dialog building. And SLT is developing the National

Broadband Network which is basically fibre to most areas of the country. But I would say that countries like India have got into a very high level of fibre penetration four years ago, in spite of its size.

Data pricing is probably an alarming issue. I have also written about it in the recent past. We're under-priced. Sri Lanka has the lowest broadband prices in the world which can't work because our inputs are the same and being a small country we do not have scale. So, there's a sustainability issue on the data and operators will need to correct that at some point to make it viable. Otherwise, what will happen is prices will be low that no one will invest. As a result the quality of the service will drop.

11. How are prices set in the Sri Lankan context? Is it always influenced by the government or does the industry have a say?

It's the industry competitiveness. Irrational competition. So we are all to be blamed. Even during the voice era we had to call the principal to set the floor rate because everybody was being so irrational. Then the Finance ministry and the Telecommunications Regulatory Authority had to intervene and set a floor price to safeguard the industry.

12. How far you think the current government focuses on the private sector? Do you think their policies have supported towards gearing the private sector?

The support shown towards the Telecommunication sector has been very positive. I'm not a believer in blaming the government because at the end of the day the government's task is to provide an enabling environment. The private sector, as the engine of growth, should take risks. Dialog's experience with the government has been very good. Because at the end of the day, being a majority foreign owned company, to date we have not found a single situation where the government reneged on investment agreements. On the other hand, Dialog also invested a lot in the country and took risks, gained a lot and has had very good regulation. So, overall I think if the Private sector puts the positive step forward, I don't think there are many examples where the private sector took risks for the betterment of the country and had a bad experience. You find segments of the private sector being very passive, waiting for incentives and waiting for grants to make their contribution to the country, while being conditional on what the government can do to them. Then of course, there would've been some negative experiences. So my view from Dialog's perspective has been very positive. And it has not been one government from 1994 to date, for 20 years.

13. How do you perceive Sri Lanka today in the context of the progress it is making in the post-war era?

I personally discounted the war, meaning it's great that the war isn't there from a humane point of view. 60% of the beaches came into the economy in addition to about 25% of the land. And probably more investments can go into the economy. But even before the war, we experienced growth and many other businesses were doing well, even tourism. And I think, as a country we should be doing much better with the war no more. The government is doing its' bit with the development of infrastructure (Roads, Power, Housing). The question arises as to whether the private sector is doing enough in the post-war era. Or are they being as risk-averse as they were during the war.

14. The CHOGM 2013 and the associated Commonwealth Business Forum were two much anticipated events for the Sri Lankan Corporate world. What are your views on the event and the impact it had on the Sri Lankan economy?

The CHOGM was good to the extent that it showcased Sri Lanka. There're two things. One being that it was a marketing exercise for the country. Second is after any marketing exercise, you get a lot of inquiries. The extent to which these queries are dealt with and interest fulfilled will determine the future results.

The impact will not be visible immediately. Tangible results may take some time. With the interest that was built, the number of investors visiting Sri Lanka and negotiating with the BOIs and business partners will increase. The speed of converting the queries into tangible outputs is the challenge which falls not only on the government but the business community as a whole.

15. Do you believe that Sri Lanka has the capacity to host large scale trade fairs such as "EXPO2020" and if not, what needs to be done to get there?

I think that we should be ambitious but have a clear sight as to why do we host an event. There're several reasons. One is, there is a natural impetus to build infrastructure in time for such a thing where you work harder in the run-up to the event and get something ready. In that sense it gets a burst of preparation and infrastructure building. For example, the Commonwealth games in Delhi was instrumental in transforming the City's infrastructure.

Second is that you showcase your country. You put your country on the world map. Like I mentioned earlier you must equally be ready to net in all the prospects and the inquiries and the flow of interest that comes soon after. These events present a window of opportunity. Seven to eight months down the line is when you have to capture the outcome. So you have to be ambitious and also build the strategies to capture the interest that is generated.

If presented with opportunities Dialog will definitely step in to partner with them. Now having multiple product offerings, we can play a key role in multi-faceted areas.

16. Do you think that corruption has become a necessary evil in doing business in Sri Lanka?

Corruption is present in any system. It's an evil created by mankind. Whether you use it as a tool, is up to you. So if you have the ethics and the conviction that you can succeed without corruption, you will. That is something that we have practiced and like I said our experience with the state has been very good. We have had a lot of support from all governments and regulatory agencies and there is no way that we could've done that unless we built some trust with the government and the public sector. Trying to cheat your way through is not sustainable. You need two hands to clap. No one blames the other party, if you're engaged in corruption. Whereas if you're ethical and keep to the straight path you will succeed.

17. Our main readers, Chartered Accountancy students, would like to know the opportunities available in the industry for them and what other skills and competencies would add value to succeed in this field and for career growth.

Become engineers. (Laughing)

The core foundation disciplines remain the key with accountancy being one, certainly. You can't run a company without a CFO and a strong Finance background. But broadening into organisational behaviour, people management and translating numbers into innovation and into human behaviours and into governance, Risk management are probably the most important application of accountants. It's not just book keeping or controls. For example, if a finance professional can turn around an investment decision quickly, it helps the company. Whereas, if you only concentrate on the numbers and reporting, the results will be with no insights into innovation, business dynamics, technology or society, and it takes time. So, broadening your knowledge about the scope of impact your decision will affect, is very important.

Further, any Sri Lankan, to be globally competitive, you need to develop your communication skills. Being able to communicate clearly and confidently in a multi-national setting, gives you an edge over the others. Sri Lankans are very good in knowledge and hard work but broadly speaking, communication need to be improved. You should be able to carry yourself and present yourself clearly. One thing our professionals should develop is to keep their communications short, precise and clear and that will be able to capture the attention of whoever is listening/reading. Communities such as toastmasters help in developing such skills.

18. Finally, what is the message you would like to convey to Chartered Accountancy students who will be future leaders of our country?

Be ethical. Have an all-round view of the business. Respect diversity and try to make the most of it. Keep calm during troubled situations and stick to your own leadership paradigms to get over it. And, finally improve your communication skills so that you're heard.

Interviewed by:

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Corporate Governance

PAST, PRESENT & FUTURE

Article Competition 2013/14 - Local Category (Winner)



By : Amali Sugandika Liyanage



In today's context, corporate governance has become a pressing issue in the world of corporates. Most companies endeavour to have a high level of corporate governance within themselves. It has not been enough for a company to merely to be profitable but also they need to demonstrate good corporate citizenship through environmental awareness, ethical behaviour and sound corporate governance practices. Corporate governance has succeeded in attracting a good deal of public interest over the years because of its apparent importance for the economic health of companies and society in general.

What is Corporate Governance? – An Introduction

Giving the starting note, it is worthwhile to understand what is meant by Corporate Governance. Wikipedia defines Corporate Governance as “It is the method by which a corporation is directed, administered or controlled”. Any company involves several distinct internal and external stakeholders who occupy multiple interests. These include shareholders, management, non - managerial employees, customers, suppliers, financiers, government and the community at large. So it grows into a duty of a corporate to balance these varying interests and derive the utmost contribution from those interested parties. It is accepted worldwide that establishing a better corporate governance is the most fruitful method to achieve above mentioned objectives. Corporate governance constitute with seven characteristics; that are being accountable, fair, disciplined, transparent, independent, responsible and socially responsible. These features make it evident that corporate governance is a question of ethics. The subject of business ethics is multi levelled; starting from individual, it spreads to organizational level and to the level of society in which we operate. The ethics of corporate governance is therefore, the determination of what is right, fair, proper and just in decisions and actions that affect other people which goes far beyond of simple questions of bribery, theft and collusion. It focuses on what our relationships are and ought to be with our internal and external constituents.

History of Corporate Governance

The history of corporate governance extended back to the 16th and 17th centuries with the launch of major chartered companies in the world. In early decades, immediately after following the World War II, United States of America was experiencing a surprising economic boom where its' leading corporations grew rapidly. Following the success, companies forgot to give internal governance a priority, so corporate governance was not in use. The companies were totally “managed corporations” where managers led and shareholders along with directors followed. However when the



time passed, with the lack of corporate accountability, the system was frustrated with a wide range of managerial misconducts and malpractices. Therefore Federal Securities Exchange Commission in U.S brought corporate governance into practice. In the meantime, appointments of Independent directors and committees of nomination, audit, remuneration and compensation was established in corporations. With the implementation of corporate governance, possible conflicts between management and shareholders were addressed successfully and Investors found corporate governance a prominence for themselves, corporations and for the society. So by the end of the 20th century, corporate governance was clearly arrived.

Corporate Governance - Today

Present corporate governance has become the most influential factor in corporations which decide their own success. It is generally due to immense importance given to corporate governance practices to companies in the entire world. It provides the ability for companies to manage themselves effectively. It dictates how decisions are made and who holds the power. A strong corporate governance system will be aware of the company's current progress and will have the ability to make changes in its corporate structure as needed. Generally a company with better corporate governance has the ability to access for outside capital more easily to fund their present and future projects. Also it increases the quality of the decisions taken by the management and more importantly, the decisions regarding corporate standards. Corporate governance assists management to improve the quality of products, customer care, business technology and marketing with healthier corporate standards. Organizations have multiple skilled employees who are committed to the organization at different levels. So by establishing improved practices of good governance, companies can inspire their employees, utilize their best talent and enhance the performance of the overall organization. In the past two decades, corporate governance has become so prominent in the world. According to Bachet et al. (2002) it was mainly due to five reasons; the world-wide privatization war, pension fund reform and growth of private savings, the takeover wave of the 80's, deregulation and integration of capital markets and

crises that happened all over the world. So it is believed, without corporate governance, a company tends to be weak and sluggish. It is simply, companies with good governance experience good performance while companies with bad governance suffer from bad performance.

Even though corporate governance has become prominent in the world, it suffers from some issues and barriers as well. Those are poor management, deficient and inadequate accounting systems, over gearing, excessive reliance on few projects, flawed trading policies, failure to adapt to change etc. Therefore consideration has to be given to improve the flaws that exist in corporate governance practices in the world. In the beginning, it is necessary to understand that good governance is not just about compliance. Board of directors of a company needs to balance conformance with performance aspects of the board's work. Further, organizations need to monitor their performances regularly in comparison to standards. Since the board has a significant role to play in the formulation and adaption of the organizational strategic direction, it is also their responsibility in recognizing the risks of governance and ensuring how to mitigate it. Better information means better decisions. Therefore to establish good governance, it is necessary to ensure that the directors have the information they need. All directors do not have the same informational requirements. Organizations needs to cater the variety of information necessities of the board of directors to enhance better corporate governance.

Future of Corporate Governance

Corporate governance will become more and more important in the future. While enhancement of technology, rise in mergers and acquisitions will strengthen the corporate world, those will take along opportunities for fraudulent activities and malpractices too. Therefore, satisfactory identification of barriers and issues of prevailing corporate governance practices and implementation of strategies to fix those issues will be important. Developing corporate governance strategies which facilitate the environmental conditions where organizations exist, need to be considered. Although, the fact has been addressed in different acts and models of corporate governance such

as Sarbanes-Oxley Act, Anglo-Saxon model, Continental European model, further considerations need to be given. It is proposed to establish new types of corporate information and control architecture which will add more transparency in organizational arrangements. Moving forward, implementation of more specialized board groups and advisory stakeholder councils comprising employees, lead customers, suppliers and others will be a more useful solution to the governance vacuum that exist in many large corporations today. Hence, a broad perspective should be adopted in future corporate governance reforms in the world in order to crop the harvest of true value of corporate governance.

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ICASL Educational Trust

The ICASL Educational Trust was established by the late Mr. M. H. G. A. Brito Muthunayagam in July 1997. The trust was set up for the benefit of members and registered students of the Institute of Chartered Accountants of Sri Lanka. Its objectives are:

- To arrange, to provide, organize or promote technical and educational activities and publications of the Technical Division and the faculty and their successors of the Institute of Chartered Accountants of Sri Lanka.
- To provide for the purchase or hire of material for the Institute library.
- To award prizes and scholarships to registered students of the Institute.

The trustees of the ICASL Educational Trust are Messrs. M. N. G. C. Perera FCA, N. R. Gajendran FCA and D. S. W. Andradi FCA.

The founder of the trust, the Late Mr. M. H. G. A. Brito Muthunayagam was born in 1934. Mr. Brito had his education at Royal College and St. Joseph's College, Colombo and qualified as a member of the Institute of the Chartered Accountants of Scotland. He became a member of the Institute of Chartered Accountants of Sri Lanka in 1964 and was subsequently elected to the Council of the Institute for three successive terms in 1991, 1993 and 1995. Mr. Brito was serving the Council of the Institute at the time of his demise on the 23rd July 1997.

The Trust has awarded more than 300 scholarships to registered students of the Institute during fourteen consecutive years. A large number of scholarship awardees have qualified as Chartered Accountants. The Trust has also sponsored many educational programmes and publications of the Institute. Further, it has funded the acquisition of books for the Institute's Library and sponsored an Institute examination prize. Since 1999, the Trust has financially sponsored the Annual Academic Awards of the Chartered Accountants Students' Society for sixteen successive years.

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Interview with

**BATHIYA
SANTHUS**

1. Today, the name “BNS” has become a renowned brand in the field of Music, both locally and internationally. So, Santhush, Was this your childhood dream and what inspired you to become what you are today?

Santhush: When I was a kid and whenever there was a family gathering or get-together, I was the person who was inclined to sing to entertain the crowd. Having done that and having received positive feedback from many quarters, I knew that I had some talent within me. But then, when I approached my early teens, I started to see the music industry, I started hearing what's happening in it and got a feel as to how people perceived it. My father was a Marketeer, employed in the corporate sector and that encouraged me to think of a future in the Corporate world. But during my late teens, I aspired to become a pilot and was very passionate about that too. Music still happened to be one of the interests, but since the country was not geared to create a platform or structure for the music industry, in an overall point of view I lacked motivation to get into the industry. The plight of the musicians was a sad one at that time, compared to any other music industry in the world and on the contrary, there was no guidance or impetus from friends and family, encouraging you to enter the world of music.

I always had a “corporate strategist” within me, which I believe is my passion. I completed my studies in marketing (a double “degree”!) and had a very short stint at a bank, where I realised that the corporate world was not exactly my thing. Having said that, I was still engaged in the music industry even at that time, where I used to sing and perform with various bands.

Even at the time we released our first album, “Vasanthaye” it was more or less a hobby, but by the time we were working on “Tharunyaye”, we were into it on a professional scale and on a full time basis. It was a big risk to take at that time, and even our families were not fully supportive of the decision.

2. How do you consider the music industry in Sri Lanka and the future of Sri Lankan music?

I would like to answer this question in two ways. The first aspect is the qualitative factors. In terms of the qualitative factors, “talent” is the single most important input in releasing a good quality product to the industry. But nevertheless, sometimes talent alone is not enough as other ingredients are also required to ensure a good quality product or output. I believe that Sri Lanka has an abundance of talent in relation to on-stage performance, singing and also in terms of creativity. But keeping up with global trends, you need to mix that talent with other commodities such as capital goods. These include proper equipment, proper recording facilities and the availability of funding/capital. We now see artists coming up with creative ways to fund their operations. If these factors are in place, I see no reason as to why a Sri Lankan artist cannot come up with a quality product. In terms of these elements, I am personally very happy as to where the Sri Lankan music industry is heading. Sri Lankans possess so much talent, sometimes I think that we can give a good run at the Indian music industry as well.

Now on the other hand, we get the quantitative side of music which is not the subject matter in any forum. We see that when a song or a software is developed in the music industry, that is monetized by other industries as well. These include the software industry, the advertising industry, the broadcasting, television and mobile industries. If all these industries are monetizing the said product, by using their modes of value adding services which uses music as a tool or a raw material, I believe that the musicians have to be remunerated for their share of the total offering. It is a sad plight that neither this quantitative aspect is discussed nor any justice is done to the music industry in terms of the monetary aspect. Therefore, if this whole quantifying aspect is not taken care of and if there is no proper justifiable mechanism to protect and to safeguard the rights of the musicians, it will create an imbalance in the system with regard to the capital requirements of an artiste. Thus the musicians might not be able to find the resources to run their operations. What can also happen is that it can affect the societal thought process as well. Children with very good talent will be discouraged, sighting the fact that there is no future in this industry. Eventhough the regulations and copyright laws are not effectively practiced in Sri Lanka, the music industry is somehow finding alternatives to protect themselves and is going forward with sheer creativity and brilliance.

“I always had a “corporate strategist” within me, which I believe is my passion.”
– Santhush

If you go back 30 years, the Sri Lankan music industry was not connected with the world music industry at all. We were absolutely disconnected. But at present, people from South Asia recognise and appreciate Sri Lankan musicians for their contribution to the industry. They know that Sri Lanka boasts of a vibrant music industry and the musicians can sometimes perform way better than Indian musicians. The Indian music industry is dominated by the film industry unlike in Sri Lanka where we have a separate music industry. In India, they have a massive film industry which clouds and overpowers the music industry. The result is that a song cannot reach the masses unless it is channelled through a film. Over here, back home, we have the radio channels, Television channels and youtube (internet) and other media through which a song can come through to reach the mass audience. So, in Sri Lanka, a song which is confined to an album or even a single can become a hit. Over there, it is very difficult for a song to become a hit because 90% of the songs that are broadcast over radio are movie songs. There's clear dominance of the film industry. Fortunately, that is not the situation in Sri Lanka. Therefore, thanks to the quality products of Sri Lankan musicians, we have a music industry that is flourishing. When it comes to performance too, the musicians get the chance to perform their own songs on stage. Over there, people go to watch films, not musical shows. Here, our outdoor show industry is more powerful than the film industry. During a day, we have at least 40 shows that are happening in Sri Lanka

which attract 5-10 thousand people on average. I'm not talking only about Colombo. I'm talking of the masses of Sri Lanka. The shows are held in Monaragela, Chilaw, Galle, Polonnaruwa, Ampara etc. and they attract 5-10 thousand people per show. As a result, the singers get a chance to perform every day. There was an era where renowned musicians like H.R. Jothipala, Milton Mallawarachchi who used to go from show to show and getting on stage and sing to audiences of 50, 60 thousand people. That's a chance Sri Lankan artists get, which our fellow Indian counterparts do not. Indian people want to see the actor getting on stage and miming the song rather than the actual singer performing. Fortunately, such a phenomenon is not present in Sri Lanka. As a result the Indian artists have become playback singers. It is very seldom that they get a chance to perform. Our singers have so much of experience in relation to performance.

Even though, we boast of having so much of creativity and talent within the system, it is heartening to see that Sri Lanka does not have a PRS (Performing Right Society), which collects revenue from radios and the TVs and from the other institutes that monetize the artist's work. Almost every other country has a publishing society. In Australia it's called APRA and in UK it's called PRS etc. This is a body which ensures that the dues accruing to artists through the commercialisation of their work are collected and paid accordingly. It may be through distribution of music, broadcasting a song through radio, telecasting a video through television or even using a song in the development of a toy!

It's the PRS who has the authority to collect the royalty from these parties. It plays a function similar to the Inland Revenue Department, which collects the taxes and other dues as per the prevailing taxation laws in the country. Therefore, the lack of a PRS is an impediment to the growth of the Sri Lankan music industry. The whole concept of publishing is alien to Sri Lanka. If one can establish the mechanism here, I believe that our Music industry will reach the next level. If that happens, the foreign investors will come to Sri Lanka and they will see the music industry as a viable investment. But right now, they won't invest because there is hardly any return due to the lack of reform and structure.

There are very few parts of the world where the local music has not come in to the global scene. Sri Lanka is one of that. We have some gems within us which have not been explored. We have heard everything in the world, Ex: Spanish guitars, the sounds of pygmies, we have heard them all. For example, the song called "late in the evening" by Paul Simon, was developed during the time he spent in Africa and builds on the native sounds and drum beats. So if we too can explore these things and use our creativity to take it to the next step, there're massive opportunities to be tapped in the industry.

This is where the music industry is heading. So if these things are protected and if all the copyright laws are streamlined, the industry will develop and will attract many people into it. And I believe that there will be a time where we can export music and add value to our GDP.

3. Don't you think that the Government has already stepped in to protect the copyrights and intellectual properties of the artists?

What has happened is that the government has imposed the laws and the regulations. But the issue is that they have not set up the institutional infrastructure to execute these laws.



4. What are the main barriers faced by singers and musicians in Sri Lanka?

Bathiya: Adding on to what Santhush already shared, as an example, people always inquire as to why can't we go international and as to why don't our songs feature in major charts. The underlying commercial aspects will not allow it to happen like that, easily. There are renowned, major record companies in the world. E.g.: BMI, Sony, Universal. These are hi-tech record companies that control the global industry. They have their branches in India and other countries and also within those countries they have their own companies as well. In Sri Lanka, you find TORANA etc. and also you get the global "majors" as well. What these majors do is that, when they pick an artist from a country and take them global, they have to do massive cross market promotions, marketing etc. which requires a massive investment. In that process when they go and invest in an artist to get them going in the global platform, they will also have a contingency plan to recover the investment if they fail. That is, an exit strategy or a recovery plan will also be incorporated as part of their risk management practices. Therefore, as a salient point of their risk management policy, if the artist fails at the global scale, they will want him/her to come back to his/her domestic market to recover this investment. Now, you cannot recover anything from the home market if no Intellectual Property laws are in place, which govern the payments of royalties etc. That is the reason that none of the Sri Lankan artists are being

touched. It's not that we or any other artists are bad or we do not have the talent in the country. For example, if the International Cricket Council (ICC) didn't induct Sri Lanka in to the ICC, our cricketers wouldn't have found a chance to do what they are doing right now, globally.

That's the problem we have now in the music industry. The global majors only invest in us on a regional basis. Sony signed us up only for the SAARC region. Beyond that they don't invest, you individually have to invest. One single artist cannot invest and do anything. For them, (the recording

label) it doesn't matter whether we sing "Papare, jazz or even pal kavi" (Laughing!). For them, the artist is their brand/ product, if their product fails in one market they have to have the other market to recover their investment. So that is one of the major problems we have in the country.

And then about the lack of a royalty structure, there are many problems that arise along with it as was explained by Santhush earlier. When a young artist just does a remake of a song and if this royalty structure is in place, there won't



be any of these problems because anyway, when that song is played back in any media that royalty accrues to the composer and the creator and the guy who wrote the song. That is an automated process where we just have to inform them that we are redoing the song. If that system starts working, our entire music industry will grow by 4 to 5 folds from what it is right now.

5. Can you share your views as to how the IP mechanism should be established in the country?

Who is the enforcing authority to enforce the rules on the road? It's the Sri Lanka police department. Likewise, who enforces the tax laws in the country? It's the Inland Revenue Department. In almost all the countries there is a mechanism called Performing Right Society (PRS), for royalty collections. PRSs can be structured to be 51% owned by the state and 49% from the artists association, which is one sort of a composition or otherwise it can be completely owned by the artists association where the government oversees the operations and regulations.

Now, just to give an indication of as to how royalty collection works you will be amazed at the scope it covers. It's natural to only think of royalties accruing through radio channels and TV stations alone. But it actually extends to public performance, music played at supermarkets, pubs and

even elevators! Even entities using music at these places are required to pay a blanket royalty to the PRS. A blanket royalty is where the entity pays a fixed amount as royalties depending on the number of tracks that are played. That is where the big money lies in the industry and that's why the foreign artists make money without doing shows, (unless they do an annual tour maybe!). Also, the royalty amounts that have been agreed by the USA, the UK and Australia will blow your minds. They can reach up-to 49 GBPs (\$100) "per airplay".

We are associated with the Australian Performing Rights Association and certain royalties come in, but the problem is our main market is here, in Sri Lanka. The laws are in place but not the institutional infrastructure.

Santhush: There should be a regulatory body to collect it. Some people say that the Telecommunication Regulatory Commission (TRC) can do that. But the TRC doesn't get involved in royalties.

Bathiya: That is the issue we are having right now. There is an industry waiting to be explored but it is hampered due to this. We are trying to talk to the government and trying to establish this entire system. This is definitely going to happen and 25 years down the line we will have the system up and running and then, the artists will be much bigger



than cricketers in terms of popularity and wealth.

Santhush: If we look at the way it works, generally 30% of the revenue generated by the radio and television networks goes back as royalties towards the artists. So if u take the Sri Lankan radio industry alone, the accumulation of revenue is so much, that 30% of that is a whole load that goes to the artists. Sri Lanka it's not the case. There is so much of revenue out there which doesn't spill to the music industry. It's the music industry that creates the songs, music and inspiration for all the other industries to be successful.

Bathiya: Because of this structure, the Sri Lankan media institutes have become unique businesses with no variable costs. They only operate on Fixed Overheads.

We are not pointing our fingers at the media. This is not the problem with the media, who are willing to pay the artists so that they will be in line with the best practices of the global industry. It's just that we're concerned that we don't have a proper regulatory body to take care of musicians and protect their needs and wants, by implementing this mechanism.

6. Starting from a two man operation from your bedroom during the early days, you have now developed your venture into a fully-fledged entertainment solutions provider. How would you share your journey up to now from your inception in 1998?

We wouldn't have to do all these in the first place. Why we chose to do backward integration is that, if your intellectual property doesn't support you, then you have to go and tap in to the operational part of it. We could've just sat at home and concentrated on music, if the IP laws of the country were functional.

Santhush: We came in to this industry because of nothing else but for the fact that we loved playing music and both of us share the same sentiment. It is very difficult for anyone who has music in their veins to do a desk-job. (Especially, Accounting!)

During school, our aspirations would've been to become doctors, lawyers etc. but the passion we had towards music

would've driven us here.

If we had chosen that path, we know for a fact that we would have succeeded to some degree in the corporate world as professionals. But however, we were destined for the music industry and we didn't come for money, we came for the love of music alone. Half way down the line we realized that there were problems in the system. Especially if we were going to make this our career. So, either you change the system or you find alternatives. At that time we were still coming up and obviously did not have the voice to change the system. So we thought of backward integration as a viable alternative. So we thought of setting up our own recording studio and try to manage the studio while hiring it out and making music for others. Once it operates at a breakeven point, then the rest of the studio time is going to be ours. Therefore, we invested in a fully-fledged studio. In the same way we came up with our event management company, creating shows for us.

Right at the start, both of us were doing all the logistical operations of an event. We dreamt of a day where we just walk in and have a person in-charge of Bathiya and me who gives our microphones and have a personal assistant looking after all the logistics so that we can go on stage free of worries.

For that, you need an event management company to handle that entire show. We started doing that years ago, and we have a company to manage the entire operation. They started doing all the logistical arrangements of an event. We now do so many events for others too. When it comes to music shows such as "sara-sihina", it's a huge production with lighting and sounds. Only thing that we both now do is a sound check in the morning and when we go to the venue in the evening, our mind is free of logistics and we are ready to perform.

So, we are living that dream! But we had to make it on our own. We have gone through difficult times. The same goes with our Film Productions arm. It was very expensive going for another production company to get our videos done. At present they too undertake the production of so many music videos, documentaries and TV shows on behalf of others. We have invested in a fully-fledged studio complex.

We started one by one. We started the recording studio and then the events company. The entire thing happened after 2000. Now we have our own record label as well and we hope to develop on these very lines.

7. BNS are the only Sri Lankan artists to feature with popular legendary Indian singers Hariharan and Asha Bhosle. How would you share your experience working with them?

Santhush: Musically, it was a brilliant experience. Their approach to music and their approach to the industry is what really amazes us. In Sri Lanka, when someone has been in the industry for 40-50 years, you become very conventional. Even the profound Sri Lankan musicians do not want to experiment with the new generation or with the new technology. But these individuals were amazing. They are the most respected musicians in India. People come and worship them when they walk by. People like Asha Bhosle are so young at heart. And they're aware of all the new technology that has come in. I remember she once queried us on the type and frame rate of a specific camera!

Bathiya: To add to that, we wanted to do something along with them because of one main reason. That is, the fact that they have been there for a long time in the industry and we wanted to gain something from their experience. As Santhush explained, the main lesson we learnt was that you have to be young forever in your heart. If not, you stand to lose out in the market. We especially witnessed this fact while working with Hariharan. Especially I remember him coming up to our studio, dressed very casually and I used to call him "Sir" for which he replied asking me not to. We find people who talk highly of Hariharan and appreciate them. But most of them will never really get to know what they are like inside. So having worked with those individuals, we gained a lot as to the need to be updated and to be constantly reviewing the environment, or if not eventually be ready to face failure. They have really evolved into our vision in the last few years.

8: What do you consider as your highest achievement / Highest award in the field of music? What went through your mind at that moment?

Bathiya: Awards really do not inspire us that much and there are no so called highest awards for us. The highest achievement we consider worth a mention is the establishment of our companies and taking them to the heights they're at present in such a short time span. And also being able to conquer the hearts of more than 80% of Sri Lankans and to be able to be known as a household name in the country are achievements that we consider important. But beyond that, awards truly don't inspire us.

Santhush: And also creating an aspiring brand in the Sri Lankan market is a very complex and diverse effort in comparison to the USA, Australia or anywhere else. We have so many languages, religions and apart from that the nation has a diverse set of dialects. It's a much diversified place than we think and we have brought in a brand which has cemented a place in almost each of these diverse elements. I think that is our biggest achievement. You get very few brands in the country that have achieved that level

of penetration/status. There are only a handful of companies which have been able to create a brand like that, which all the segments really appreciate. Further, doing that in the music industry is very difficult.

9: BNS has from time to time, marketed their concerts to the local and international fans. (Starting from Neththara and followed by Shaheena and Sara Sihina). Explain us the thought process and the marketing campaign that goes through into developing such series of concerts?

Bhathiya: It's a very complex process that we will try to simplify for you. In Sri Lanka, up to now, apart from Gypsies, the only branded concert was the "Saa Prasangaya" dating back to the 1960s. But the "Saa Prasangaya" did not evolve with time and was not associated with an album as such. And also I feel that the "Saa Prasangaya" was on the road for too long, where it went on for 500+ shows and it stopped. But then the Gypsies came along in the late 80's with an album and a corresponding show. But again those ran for about 25+ shows and it stopped from there. So, when we came up with this initial concept of "Neththara", we looked at the entire spectrum. It's not just the songs that goes into the album. We thought about the actual BNS concert scenario as well. So we planned out the album, the concert and also as to how we are going to market this concert in Sri Lanka and outside Sri Lanka. We looked at what sort of brands we are going to associate to the concert. Then we also looked into the attributes that the particular album stands for. For example, "Neththara" was a very dance oriented, Indian and sub-continent oriented album. So, we were very free and we had a lot of remixes and we had lot of things happening and it was flamboyant. So the show that we plan is a long term exercise.

Once we come out with an album, we launch the show after 2 or 3 months because the songs have to first reach the masses. You need to give some time for your fans to absorb them. You have to always know that people come to a concert not to hear brand new songs, they come to hear songs they know and to re-live the experience. You get a lot of artists who do that mistake by playing a whole bunch of new songs.

So what we do is, we wait for about 2 or 3 months in which we do not do any shows or don't even appear. We just keep it blank. Once that period is gone we slowly start the show. Initially, we start the show to a very young audience because they are the first ones who grasp it. These are the ones in the age bracket of 15 to 22. It's the age where they catch songs in a flash to their minds. Beyond that age, it's gone. For us, even now it takes an extra effort to memorise a song. There is no time for you to absorb songs due to the workload and other commitments. So, we always first target the schools. So naturally, our first 10 to 15 shows are school shows organised by OBAs/OGAs. So while this process takes around a year, beyond that lies the actual commercial activation of these shows. Then we start playing back to back. Once the album reaches its second year in the life cycle is when we start to pitch this show completely outside the country. Because, for a song to really go and really pick itself in a Sri Lankan community overseas, it takes about a year or two. Once the shows reach its maturity here, then we start exploiting Australia. This year in September, we

are planning to do concerts in UK, Washington DC, Los Angeles, New York and Toronto. And then we are planning for Qatar, Kuwait, Jordan and Lebanon. And then by next March, we stop. We don't take it beyond that once we know the show has reached saturation. Then we again have a blank period until we come up with an album. But this time around, we want to take this show to the next level by marketing an unplugged version, which we can again sustain for about a year or two, easily. So, the secret is when you come out with an album, you have to prolong the cycle of the album as much as possible. That gives you the best yield.

Some artists kill their own brand by just making too many releases, back to back. If I am to ask you the songs of that artist, which came out last year you will not remember any. And also it is important that you do not try to make every single song you make into mega hits. That is because the life span of a mega hit is only about three months. So it's very important to plan out the release of the songs. For example, our song "Hitha wawannema na", everybody asks as to why we are not coming out with a video for it. But when we perform it in every single show, people sing this song along since they know the lyrics of this. We have let them create their own imagination in their heads associated with this song. That song is a very powerful one and had we done a video of it, it wouldn't have been received much acclaim as it does now. That's because a video creates a story and gives it as it is to the people. This hinders the listeners' imagination. So there are certain songs which you need to consciously make an effort not to over promote. Those songs have to grow organically. If there is no organic growth, then they won't stay for long. All these so called evergreen hits you have, generally grows organically. Generally, in a particular album and the associated concert you have one song which you make a super hit because you want to get the message out. That is technically an advertisement. Beyond that, everything has to grow organically. Once it has grown organically and the organic growth has stopped and you still feel that there is more potential to it, then you should do a video for it in order to keep it alive for another 3 months or so. You need to be very intelligent in this game and you also need to know that people need to see you in a seasonal variation. You can't be on top of the chart all the time. You have to hibernate yourself and come back. But most of these young artists don't understand this. They think they want to be the number one on a chart day-in, day-out. But the reality is that the time you take-off to regroup gives you the boost for the new punch. One example is that whenever we have made ourselves less visible, our concerts are packed. During the days when we were coming up, when we wanted to be seen and our presence was high on television, the numbers attending concerts were not high. The secret behind concert planning and sustaining it in the long term involves thorough examination of the aspects I explained.

10: The CHOGM 2013 and the associated Commonwealth Festival on Arts and Crafts were massive events hosted by Sri Lanka and you two (as ambassadors of Sri Lanka) had a massive role to play in that. What are your thoughts of the event and how would you share your experience with us?

Actually the event experience was very good because it was

the first time that we worked with the government at that level. We were very much involved in the whole process hands-on, from the inception, from where the blue print was made to host the event. We worked with the highest members of the government who themselves were involved hands-on with putting up the entire event in place. Working at that level, we gained so much of experience and witnessed the exemplary levels of input and strategic vision of these leaders. We were so impressed about how the execution of the commonwealth meeting was handled. We witnessed the feedback given by the Commonwealth Secretariat to His Excellency the President and other officials, in person. The CHOGM event was one of the best events within the Sri Lankan government system. They didn't leave room for anything to go wrong and it was done with such meticulous planning. We have done some other events in the past as well, but this was executed with direct involvement from top to bottom and a lot of attention to detail was given. We wouldn't have got the exposure we got from that event in another 10-15 years of time of ordinary operations. We were exposed to how the operations of the state mechanism takes place and that exposure took us to another level. So that was one of our landmark achievements in our lifetime. It was great to be involved at that level at such a comparatively young age.

11: Tell us more about your latest entrepreneurial adventure "La Fiesta"?

Bathiya: La Fiesta is not only us. We have been playing in Tokyo for the last five years, at the Sri Lanka Festival. So there was this Sri Lankan named Chandana, who owns the same La Fiesta restaurant in Tokyo. He contacted us and asked whether we want to become partners of his venture. We weren't that interested at that time since F&B was not exactly a sector that we wanted to move into. But, after much persuasion, we put our heads in to that and thought of trying out the venture. So Chandana, myself and Santhush we got together and opened the place up. Operationally, he handles everything there since we don't have free time to really attend to it. He is doing a great job. The place is a 6,000 sq.ft property. And filling up the entire space isn't easy, especially in Sri Lanka in a F&B joint. Most of the places which operates a similar environment are barely 1,500 - 2,000 sq.ft. and I believe that Chandana is doing a remarkable job over there with a very good table turnover rate. On average, La fiesta is about 60% full and that's far greater than any other place in Colombo. So, he has been keeping that capacity at around 60-70% throughout. I think we are enjoying our part in F&B now and we might expand to other restaurants and ventures as well, in the coming years.

12: What is the advice that you both, as two of the most innovative music personalities of this generation would share with Chartered Accountancy students with regards to achieving targets and facing challenges?

Bathiya: I'll give you all a very simple example. I personally did corporate finance as a part of my final year studies and we have been dealing with accountants as well. There are two types of accountants in this country. One type is who only analyses the numbers and the other type is who have a total view of the business and its operations. I urge a lot of

people that if u want to achieve your targets and goals to the fullest, you need to be a holistic person rather than going on one single track. The more your approach is a 360 degree view and holistic, you can achieve your targets easily and accurately than just sitting on numbers. So I like to advise the accountants to try and improve your general managerial skills as well because that will give you a different viewpoint to what you are doing. And also on a general note, work should be something that you enjoy and not something you consider as a burden. What you do should be part of yourself. Some may view these people as workaholics. I'm to a certain extent a workaholic but enjoy myself at work because it is part of my life. For me, what I do, I do it with a lot of passion. So to any student my advice is do it with a lot of passion, make it a way of life because if u don't make it your life then you'll be just an employee for the rest of the life. You need to be focussed. Some of the people who are following accountancy are doing it just because the rest of the world is doing it. No don't! Find what is in your heart. If u don't do what makes you passionate you will never go far in life. There are certain accountants who have become famous because they do it with passion. There are others who have become Financial Controllers of large companies but are unknown. If u see them in person, they don't even sport a smile. Those are the ones who have just done it for a job. I agree that they must be good at what they do, but they are not totally in it, they are not enjoying and they are not living their lives. Work has to be a part of living your life. It doesn't mean to work and then go on a trip for that career break. Whatever you do has to be part of your life. That is what a lot of Sri Lankan students don't understand. If you look at a lot of individuals who have come for the world youth conference, there are people who have done accountancy and suddenly switched to law and some law students who have switched to arts and those individuals from the foreign countries truly live their lives. And they work, earn and have their savings too. That is the advice I can give because for us, even if we die today we have lived our lives to the fullest. We took risks when it was needed. And I have done everything in life that makes me happy. I'm married and I have a kid. Santhush too is happily married. We have had our problems too. E.g.: Wrong investment decisions, the sudden demise of my father due to a heart attack. But we are moving forward with our lives.

13: Going up the corporate ladder one needs to shoulder more responsibilities regardless of how stressful they are. How do you overcome stressful situations and strike a work-life balance?

As I told you, when work becomes part of your life it doesn't become a stress. For example, last Monday (28th of April), we flew to Hambanthota in the morning as our event team was there preparing for the Sri Lankan airlines launch. The same day, we flew back, as the Colombo launch was scheduled for the 30th. 29th we again flew to Hambanthota. These were massive events with 1000-2000 people being mobilized on ground. So from there we flew back to Colombo, had a meeting here at 12 midnight and flew to UAE at 7 in the morning and had an event on Friday night. Then, on Saturday we flew back to Sri Lanka and stayed in Katunayaka for 4 hours and flew back to Hambanthota for the Youth Conference. Every day we had 4 and half hours of rehearsals for the WYC. Coming back, we had

office work to attend to, with hundreds of emails to reply, and then drove back to Colombo and here we are doing your interview today. We have the WYC closing ceremony tomorrow and have three shows on Sunday and we have a whole day shoot on Monday where we again fly out for two weeks. How do u handle that stress? You take one thing at a time. You focus on what you have to do. It's an art that needs to be mastered. Take one task at a time and that is the key to success. Sometimes you know that you are going to crash but have faith till the last moment.

14: Being successful musicians, how do you think a student should become an all-rounder through achieving greater excellence in both academic and non-academic activities?

I take academic activities for granted. That is essential. Non-academic activities really helps to groom a person to a great extent. But how non-academic activities are carried out is the problem in schools. There are two types of non-academic activities that takes place. In lot of schools there is this group mentality perception that is incorporated into your thought process. So, sometimes more resources are utilised to complete a task that is assigned to 2 or 3 individuals, since all try to step in and help in some way or another. So, it's ineffective. So, half of the people do not achieve anything doing extracurricular things. This can be avoided if you know what you're doing and as to why you're doing it. As long as you know that, non-academic activities will really help you to achieve success in whatever you do. If u don't have that attitude non-academic activities will ruin you.

“Our highest achievement is steering our companies to where they are today.”
– Bathiya

15: According to your understanding, is there a direct or an indirect influence from the music industry towards the economic development in Sri Lanka?

Music influences a lot of things in the economy. The decision making of consumers is greatly influenced by music. It can be anything ranging from fashion, advertising, FMCG or any other industry. I believe that music plays a very big role in shaping the thought process of the society, which directly affects the economy. It has a massive impact on the society which in turn affects the way they go and consume and the way they gear up their lives.

16: Finally, what is the message that you would like to convey to Chartered Accountancy students who will be the future leaders of our country?

Become holistic. Just don't become Accountants. The number crunching accountant will just do that job alone. They will not go beyond that. If you are an accountant, please expose yourself to other fields as well and become a

360 degree holistic person who can really help any industry through accountancy. Do not confine yourselves to keeping books and making sure the financial picture is right, because

the accountants also have a social responsibility to add value to the society, which sometimes they lose track of.



Interviewed by:

Malan Anthony	-	Kreston MNS & Company
Ashani Upeshika	-	PwC
Prashan Muthugala	-	KPMG
Indranath Ranga	-	B.R. De Silva & Co.

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Jayashan Grero	-	Tudor V. Perera & Company
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GUARD DOG, BLOOD HOUND OR SNIFFER???

Are you tired of your profession? Do you want to involve yourself in an exciting career?

Gone are the days when the auditor was compared against the blood hound and the guard dog. Now, it's a choice between guard dog, blood hound or to be a sniffer.

What does it mean for an accounting professional, an auditor to be a sniffer? It makes one wonder, doesn't it!!!!

By : Buddhi Pathiraja | BDO Partners

How many of us watch X-Files or CSI Vegas and CSI Miami and look at the exciting careers of Moulder, Scully, Grissom, Katherine and the others and wonder why we have chosen to become couch or rather desk potatoes? Have you not thought that if you had a more exciting job which involved a lot of physical field work, perhaps, you would have been able to maintain your physique?

Is there a combinational career for a boring accountant to engage in an exciting investigative career path?

Yes, become a forensic auditor!

It's surprising to hear such two words coined together – but it is true. The general thought which comes in relation to forensic is death, the post mortem and evidence sought for murders. Forensic accounting and forensic auditing has no relationship to medical forensic science – but follows its theories.

To think out of the box and to know your ABC's of accounting and auditing well would be the ground rule of forensic auditing. Ground zero would be the pivotal point to focus for a forensic auditor.

There is no correct or wrong for the theories or the regulations and there is no ceiling for the knowledge required. An independent view is necessary yet it can't be disseminated from the usual structure, organization or the evolvement of an entity. The limits of regulations will encompass geographical, economical as well as political barriers – the sky is the limit for a forensic auditor.

Our chosen field of study of accounting covers a broad field. One of these specializations is forensic auditing, which is an area of the profession which uses the basics of accounting in combination with legal proceedings. Good communication skills as well as interpersonal skills is essential to thrive in the business of forensic auditing. A person can't hide his nose in the accounting books, rather, the laptop and safely think that his work is successful.

Forensic Auditing (FA)

The Latin word *forénsis* is the basis of the word forensic, which means *"of or before the forum."*

However, according to Black's Law Dictionary, 8th Edition, 2004, it reflects the meaning *"used in or suitable to courts of law or public debate"*

During the Roman times, a forum, which is a gathering of public individuals, was the place where the accused presented his/her case relating to a criminal charge. This origin is the source of the two modern usages of the word forensic – as a form of legal evidence and as a category of public presentation.

Forensic auditor

The ultimate goal of the forensic auditor or investigative auditor, often relates to giving expert evidence at the trial. Therefore, FA requires a person to be equipped with a combination of diverse skills. Smooth communication skills, a sound knowledge of the related technical area and the ability to present one self are only the basics for grooming a Forensic Auditor.

They utilize an understanding of economic theories, business information, financial reporting systems, accounting and auditing standards and procedures, data management & electronic discovery, data analysis techniques for fraud detection, evidence gathering and investigative techniques, and litigation processes and procedures to perform their work. Forensic accountants are also increasingly playing more proactive risk reduction roles by designing and performing extended procedures as part of the statutory audit, acting as advisers to audit committees, fraud deterrence engagements, and assisting in investment analyst research.



"While Forensic Accountants ("FAs") usually do not provide opinions, the work performed and reports issued will often provide answers to the how, where, what, why and who. The FAs have and are continuing to evolve in terms of utilizing technology to assist in engagements to identify anomalies and inconsistencies. It is important to remember that it is not the Forensic Accountants that determine fraud, but instead the court." (David Malamud, Forensic Accountant, Toronto Ontario.)

With the increasing demand for the professionals in forensic auditing, most large accounting firms have a forensic auditing department. In the United States there are over 12,000 Forensic Science technicians, as of 2010. The auditor has a process to follow and definite steps to be followed to complete an audit of financial statements before expressing an opinion on those financial statements. But, the FA has to play by the ear as the financial forensic engagements to be handled by the FA will relate to various sectors of the business world.

Some of the assignments may relate to:

- Economic damages calculations, whether suffered through tort or breach of contract;
- Post-acquisition disputes such as earn outs or breaches of warranties;
- Bankruptcy, insolvency, and reorganization;
- Securities fraud;
- Business valuation; and
- Computer forensics/e-discovery.
- Money laundering
- Insurance Claims
- Professional negligence
- Marital disputes
- Crime against property
- Fraud in retail shops or by construction contractors
- Asset misappropriation
- Credit card theft
- Internet fraud
- Tax evasion

Forensic Accounting/Financial Forensics

It relates to any accountancy engagement which is a result of litigation, dispute or any anticipated fraud or misconduct. It provides an accounting analysis which is suitable for a forum or court of law. A forensic accountant must look beyond the numbers and understand the importance of various aspects if financing on different situations.

Forensic Accountancy vs Forensic Auditing

Accountancy relates to the technical formulation of the financial statements and the review or the test on its accuracy is auditing. Yet, forensic accountancy relates to the accountancy services related to general preparation of financial statements with a view to be used in legal proceedings. Forensic auditing clearly is a result of the indication of fraud or error in financial statements which is then investigated to obtain financial information (evidence) to be used in a court of law.

Fraud Auditing and Investigation

The key words of auditing relate to FA too. In the same sense, professional skepticism when conducting the given task is paramount.

Fraud detection is a significant part of the forensic auditing world. Fraud auditing is a service provided to companies by forensic auditors working as outside consultants. Firms hire an auditor to review their books and accounting procedures, ensuring that their operational practices will make fraud difficult and improve the likelihood of detecting any fraud that takes place. When prevention fails and fraud is suspected or proven, forensic auditors are called in to perform formal investigations. Through a combination of accounting skills and interrogations, the investigating auditor attempts to unravel the fraudulent

transactions and establish which of the company's employees are involved.

Other Forensic Accounting

Outright fraud and deceptive accounting practices are not the only legal issues addressed by forensic auditors. For example, a forensic auditor might be called upon in a civil lawsuit to establish the extent of a plaintiff's financial losses.

If employees suspect their pension funds have been mishandled, they can hire a forensic auditor to compare the plan's real current value against its projected values. In a divorce or the dissolution of a business partnership, a forensic auditor can ensure that neither party is concealing assets or revenues. In a royalty's dispute, forensic auditors can determine whether the correct portion of revenues was paid out.



Forensic accounting is still in its initial stages of growth, expansion till it reaches maturity. So, there might be difficulties in classifying each exercise accurately. This also may lead to various classifications over the world.

Work pattern of the forensic auditor

- Identify the scope of the problem
- Obtain the most feasible method of performing the activity
- Understand the problem
- Check the information in all related aspects to identify the solution/situation or reason for the problem.
- Collect the required evidence in order to be able to prove the reasoning behind the findings
- Retain the evidence in the order or format as accepted by the legal structure of the relevant country
- To be able to clearly explain or provide evidence in order to accuse /prosecute the guilty party
- To work diligently in all material aspects and retain the dignity of the profession

In the event that there is no clear indication of the professionalism of the accountant the basis of the entire exercise will be lost. It is clear that pure technical knowledge would not be the criteria to fulfill the requirements of the CV of a forensic auditor.

It is noteworthy the fact that a forensic auditor is required to investigate the financial information of entities who already have regular audits, internal audit departments and perhaps even an audit committee. So, the FA is the last resort to solve a fraud and he must have the confidence to discharge this duty successfully.

The Tools and Techniques Used by Forensic Specialists/ Fraud Examiners

1. Public Document Reviews and Background Investigations
2. Interviews of Related Personnel
3. Cross check with market trends
4. Mapping of audit trail to suit the requirements within the prevailing internal controls
5. Confidential Sources
6. Analysis of data of entity against Industry information & trends
7. Physical and Electronic Surveillance
8. Undercover Operations
9. Review of production processes and comparison against benchmarks
10. Analysis of Financial Transactions

Qualifications

To qualify as a forensic accountant, one must possess the appropriate licence or qualification as recognized by the jurisdiction in which the lawsuit or dispute is taking place. Therefore, for a UK court a Chartered Accountant with the ICAEW would be qualified, while a CPA with the AICPA is qualified in a US court. In the United Kingdom, relevant legislation is contained in the Proceeds of Crime Act 2002. In India there is a separate breed of forensic accountants called Certified Forensic Accounting Professionals. In other countries, some forensic accountants are also Certified Fraud Examiners, Certified Public Accountants with AICPA's Certified in Financial Forensics (CFF) Credentials, Chartered Accountants (CA), Certified Management Accountants (CMA) or Chartered Certified Accountants

Institute of Forensic Auditors (IFA)

The professional body of FA was founded in 2001 in Belgium as a not for profit association which is based on a public-private partnership. The Institute of Forensic Auditors is the professional organization of forensic auditors. There are professionals in the public and private sector who are certified as "Registered Forensic Auditors". It also develops best practices for forensic practitioners just like any other medical, accounting or marketing professional body. IFA regularly organises conferences and trainings on forensic topics. It is an ideal forum for networking within the forensic community.

Standards for Forensic Auditors

The ethical code, professional standards and guidance that are applicable to Registered Forensic Auditors are formulated, amended & removed, where applicable by IFA.

Code of Conduct

Similar to the Code of Conduct for Members for other accounting bodies, there is a Code of Conduct for the Registered Forensic Auditors and other IFA members

Continuing Professional Education Standard

In Sri Lanka, Continuous Professional Development (CPD) is a novelty. Yet, even though IFA was formed only in this new millennium, the Members have understood the importance of CPD for FA too.

Future, today....

The entities that function with a view for the future have incorporated elements of forensic auditing to their operations.

In the financial institutions, the weight laid on the authenticity of a signature is very decisive – specially with regard to the foreign businesses who function based on the



operations of Global Service Centers (GSC), they have a separate team of workers to check the signatures on all documents. This results in low turnover of fraud and loss to the bank. Marks & Spencer has identified the requirement of a textile auditor – a person who audits the quality of products. The compliance auditor at the point of discharging to factories which function in a metal free environment.

Future for us

We are yet to see the day when the local newspaper will carry the employment vacancy for a forensic auditor in Sri Lanka. But in reality, there are forensic auditors among us.

We have not been qualified as such but, we do carry out certain duties, procedures and investigative type of audits in our line of work. It has not been famously used in legal proceedings but, there have been innumerable number of trials in Sri Lanka in which professionals from our field of accounting have been called upon to testify, give evidence or to thread together the reasons behind a murder.

The corrupt world we live in has created fantastic job opportunities to be shared by us in the field of FA as the principles, ethics, norms and general principles of trade as well as the value given to a human life has diminished, vanished into thin air.

The post of a forensic auditor looms tall and strong ahead. Are you ready to take up the challenge?

If not now, when will you adapt to change? If you do not adapt to change, where will you be placed in the corporate world???

Join the global trends or be left out!

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'Voodoo Accounting'

Creative rather than conservative accounting practices. Voodoo accounting employs numerous accounting gimmicks to artificially boost the bottom line by inflating revenue or concealing expenses or both. The origin of the term "voodoo accounting" probably lies in the fact that once the accounting gimmicks come to light, the purported profits disappear like magic.

'Cookie Jar Accounting'

A disingenuous accounting practice in which periods of good financial results are used to create reserves that shore up profits in lean years. "Cookie jar accounting" is used by a company to smooth out volatility in its financial results, thus giving investors the misleading impression that it is consistently meeting earnings targets. One-time charges and special items are a couple of areas where a company can manipulate numbers to create cookie jar reserves.

'Black Box Accounting'

The use of complex bookkeeping methodology in order to make interpreting financial statements timeconsuming or difficult. It is not illegal, as long as it adheres to GAAP or IAS guidelines, depending on the location. But is generally considered unethical, as it is designed to obscure a simple and accurate picture of a company's financial health.



SWIMMING LEGEND OF SRI LANKA

INTERVIEW WITH JULIAN BOLLING

1. “The difference between the impossible and the possible lies in a man’s determination.” You were the first Sri Lankan swimmer known to have participated in three Olympic games, first at Los Angeles (USA) in 1984, then at Seoul (South Korea) in 1988, and finally at Barcelona (Spain) in 1992.

- **How do you feel about it?**
- **Describe the effort and hard work that went into realizing such heights**

First and foremost, let’s come to a basic understanding that the youth normally take one step at a time, which was what I did at that time. I only thought about the Olympic Games when I was selected rather than dreaming about what came next. But yet, there is no denying the fact that once I competed in three Olympic Games, the feeling I had was similar to of a person who had achieved things that others haven’t, which, believe me, is a very good inspiring feeling. But now I’m happy to see that many other sportsmen who also have participated for three Olympics. They also should keep in mind that performing well is important for all sportsmen and it is important that we do well for whoever we represent, whether it is the country, school or club. My only hope is to see our next generation doing a better job as it has been one of the achievements which we, as a country have been lacking so far.

Coming back to your question, participating in three Olympics was not entirely an easy job to do and to be honest, participating in Olympics was not even in my agenda and I never thought that I would get such an opportunity. To

be truthful, I was quite surprised when I was selected for the first time. When I was selected for the 1984 Olympics, there were only 4 of us who participated in the Olympics that year out of which two of them were yachtsmen, one weightlifter and I, the only swimmer.

The reason for us to be selected was because of the exceptional performance we showed in the inaugural 1982 Asian games which was held in Delhi - India. Nevertheless, the 1982 Asian Games performance led us to be selected to Olympics two years later. And like you said, we didn’t train to go for the Olympics since we assumed the standards were very high, so we prepared ourselves for sportsmen who were in the same standard as ours or slightly faster. So at that time, I was doing relatively well at the South Asian level as well as at the Asian Games level. At the Asian Games, I was able to be in the top eight swimmers. When the Olympic year was drawing near, the Olympics committee, the Ministry of sports and the National selection committee were looking for suitable participants to represent Sri Lanka. Being in that top bracket, my name came up on the list giving me an unexpected but yet a nice surprise.

The second and third Olympics were the same. However, subsequently there were standards set by the International Olympic Committee in order to select the best out of the best who would participate in the games. This was due to the rising number of athletes who wanted to participate in comparison to the number of athletes they could accommodate at the games. But unlike our days, at present Swimming is fortunately the only sport at the Olympics



where every country is given two free places, where one male and one female could participate. This opportunity came as a wild card in the year 2000, where even if you don't qualify from the selection rounds, two free places were given in order to encourage all countries to participate in swimming

events. So the Olympic swimming arena is now open to a diversified participant list unlike the yester years.

Furthermore, Olympic Games are very hard to compete and my performance was not up to that high standard and like the saying goes, I was just a "small fish in a big pond". I think sometimes, may be that is how the Maldivians feel when they come for the South Asian Games, where they feel a bit out of place.

Nevertheless, we did have a good time and we tried to do our best to bring Glory to our land and like I said, our targets were different. As an athlete you try to improve yourself and that's what you train for. So I didn't have Olympics in my head at all I was trying to be at my best, rendering my country the maximum possible service I can give.

2. "Champions aren't made in the gyms. Champions are made from something they have deep inside them -- a desire, a dream, and a vision." (This is a famous quote by Muhammad Ali) What do you have to say about this? What was your ambition or dream during your childhood? Who was your role model?

I think this is a very interesting quote. Every athlete has his/her own tagline, obviously the greater you are, greater the quotes that you make become. And Mohammed Ali being one of the greatest boxers and was someone who had an immense passion towards sports. It is crystal clear that, champions are not about just going to the gym; it's about the desire you have. I'm a coach today and I tell our swimmers, that if you look at Michael Phelps, he undergoes training sessions and he is not the only one who does that training. There are others doing the same workout, but how come Phelps was able to go ahead of others? Obviously it's not only the gym, it's the passion and desire you have. And yes, talent helps too but talent is not the only ingredient. Mohammed Ali had talent, Phelps had the talent but talent was not the key for who they are today. I do agree with Mohammed Ali whole heartedly. Everybody goes to the gym, everybody trains in whatever sport that they do, but there are only a few who are able to move forward. There is also something else, just like in your Chartered Accountancy, just because you attend classes you don't pass an exam, the effort that you put in too plays a huge role. Some people have greater desires and some people come from hard backgrounds. There are privileged people in the society as well, but the ones who do well generally are the ones who come from tough backgrounds. In sports it is noticeable, especially with many of the black athletes. If you look at our generation; Mike Tyson for example, a street fighter, which made him a champion in the same arena. It is true that there are numerous externalities which effects

your progress for who you are today, as well as a lot of things also affect for what you have become. The ones who want it and truly have the desire, moves forward and faster, proving that the statement made by Mohamed Ali was right up to the point.

Moving on, with regard to my ambition, when I was small a lot of people have asked me what I wanted to become when I grow up. And I still have the same philosophy in me that I always had. I am not a man with too many dreams. I sort of, live for the day. I started swimming for a very funny reason. Being a very small made person during my teens, I was told by mom that I can gain some height and weight through swimming. I sort of got caught to that bait and restarted swimming. Still, back then I had neither plans nor dreams. Then all of a sudden everything changed drastically in a few years. As a little kid I swam for the Sri Lankan open team. So back then I would say I had short term targets but never long term ones and that's still the philosophy I have today. I think different people approach life differently. I still don't put too much pressure on myself.

As for my role model at that time, we looked up to different people and while growing up my father and mother had a huge impact on me. That was a very positive impact indeed, because we were never forced to do sports, it was our choice. There were times even at the peak of my career where I struggled and I wanted to quit the sport and didn't want to go for an international meet where still my parents were backing me up. With time when I became competitive, Vladimir Salnikof, a Russian swimmer inspired me. He won the gold medal in 1980 where Americans boycotted the famous Olympic Games so it wasn't much of a competition for him. But then in 1984 the Russians boycotted the Olympic Games which was held in the US, so he couldn't participate. By 1988 he had given up swimming. But then he had to comeback, even though he was struggling, he still managed to get into the last of the Soviet Olympics Europeans and competed. He became a famous person even though he didn't win. It was amazing how he managed to get the entire stadium stand up for him. So maybe he was somewhat of a role model. What I liked the most about Salnikof is that even when he swam the distance races like a champion, he still was a humble guy. I remember one photograph in a magazine where he was cheering his team mates 10 minutes before his event and then he went to his event and broke a world record. I still use that incident today to mould our team.

3. What inspired you to become a great swimmer? Was it for the reason of your family background? How do you consider the support given by them to you in becoming a champion swimmer?

I think the problem with Sri Lankans is that every child is not given the opportunity of swimming. So I'm sure there are young kids out there, given the chance who would do better. So I just don't consider myself as a great swimmer at all because it's not fair given that the percentage who can swim in our country is comparatively low. Now if you go to America, the percentage of those who can swim are high. So if you win in America that would make one a great swimmer. Even though it's an individual sport, I did like the team environment. I enjoyed swimming for Royal College and

later I enjoyed swimming for the country and I loved having team mates. I enjoyed competitions and the people I raced as rivals especially those from Ambalangoda and from other outstation areas. I think they produced better swimmers than us. We once went to Ambalangoda during a weekend since next day we were to participate in the 1991 SAAF Games. I also remember it being a great contest since I had to race an Indian Athlete called Xavier. We instantly became friends. We had a Christmas day off and we raced again and on the 26th December both of us played chess together. Those are enough reasons for me to be inspired. Sports have its good side and bad. Among all the good things, personally I never liked to train but I loved the other aspects of sports such as the entertainment aspect where you meet new people and all the international Games where you get a better exposure. I also had to struggle a lot in my career especially when I went to the States for a scholarship where even the female contestants started to outrun me and it was tough since I was on a scholarship and they expected a lot out of you. I remember the coaches were very supportive. The people around were enough to inspire me.

The support given by my family I must say was immense. We were never forced to do any sports except the fact that my mother lured me back in to sports, which I did to gain a bit of size. People die to go on to represent their country, they'll even cheat the system or even use other influences. But I remember that there were 2 commonwealth games and one Asian game, which I didn't want to go. I wasn't enjoying swimming due to particular reasons, but my family said "no problem" whereas I'm sure in other situation others would've forced their child to go. I remember another good story. I came home after breaking some national record at a meet and my father found that out, so he put me on the motorcycle and took me to a shop and bought me a Necto (A famous Sri Lankan beverage). I would've been 13 or 14 years old breaking national records who couldn't afford a Necto at that time. So I got this Necto and started biting the straw at the top so that I would get a bit of an extra time to enjoy my Necto since I knew another Necto won't come for another 6 months. Why I was so happy in getting to drink one was due to the fact it was one of those things which we loved at that time and it was one of those things which was tabooed by my parents for particular reasons.



(Smiling) I think morally all that helped me. Thus I can always conclude that my family's support was perfect.

4. How do you view the present situation in Sri Lanka with regards to the sport of swimming? Do you believe that proper attention is given to it by the authorities?

I don't think so, for example we were in Macau this year for the Asian Schools Championships organized by the Educational Ministry. It's an event held every 4 years where seven countries participated and we were the only country where the swimmers had to pay for their own expenses and best part was, they still expect medals from the children. The only time that the government pays for you is when you go for major meets such as South Asian Games, Commonwealth Games or Olympic Games where the Olympic committee gets involved. It's impossible to compete with the countries who get the support. At the Asian championship the Nepalese swimmers were very weak compared to us, but they were well paid for, even the Maldivians.

Two Maldivians from the national team trained with us here and yet they were supported by the government. No support is given for our swimmers to go abroad and participate and even the vitamins are self-provided. We had the South Asian Games and the pool (squad) was created and suddenly the games are cancelled because India had some political issues and then the pool is taken out. So no proper attention is given. Even though the present Minister has asked us to come up with a plan, he is yet to approve it. We are denied of any financing despite making requests prior to tours. I think it is necessary for the Association, the Ministry and the Olympic committees to work together. The current Minister might help us, he has given us a plan and I'm a little positive this time. Let's see, only time will tell. As of now, no plans in the process. If these things are looked into, maybe we can do so much better in the near future.

5. So you think if proper attention is given there will be an improvement?

Yes it is guaranteed. Look at track and field events, it was such a well-planned sport from the 90's and that is why Susanthika did well. But now at present even track and field has deteriorated. Improper planning and lack of interest are the cues for such drawbacks. If you plan, anything is possible, even a business. I think sports are like businesses. Verily, in a business you compete for the market share and in sports you are trying to compete for the medal share. There are countries that plan and obviously they do better and get better results. We have talent, this country is filled with absolute talent so with better planning sky is the limit for us.

6. Where does the swimming arena stand from then to now? And what would you be recommending to increase the effectiveness of it and to set the minds of the budding national swimmers?

Pretty much the same. There is little improvement. I had a record till last year; it lasted from 1986 to 2013. It was Mathew Abeysinghe who broke my record recently. So there are some areas we have improved but some areas are yet to be improved. But I think the problem is that the athletes are never given the right incentive and as today majority of our athletes are still schooling, nobody seems to stick to their respective sport after A/Ls. They go for further studies questioning whether there are any outcomes of doing swimming or any sport for that matter. Even a very good swimmer would rather invest the money he has to spend on studies than swimming. Another problem is to balance studies and sports. Tuition takes most of the time and with that swimmers don't get adequate rest. I think even the education system does not help the children to move forward in sports and now it is going from bad to worse. Children on average we have seen doing 12 hours of tuition. 12 hours is like two more school days, so how do you compete. Your body needs rest.

7. So what would you recommend to improve the efficiency?

Obviously each department needs to be improved. It is necessary to support top level athletes with their education. In a 7 day calendar sometimes they do more than 7 days of school work, if the tuition hours are also added. So maybe making alternative plans for such things from the educational side can help improve the sports sector. Similarly more importance must be given on essentials such as nutrition supply, coaching and also international competition exposure. It is important to note that the Education Ministry has started something new to make the Education for school children more flexible and hopefully this will continue to be the same in the long run.

8. How would you share your experience gained at the University of Clarion, Pennsylvania (USA), where you obtained a Marketing Degree with Chartered Accountancy students? What should we do to balance and develop our careers?

A very good question. The university system in the US is a total package of 4 years with nothing but good times. It was about getting the best out of what you can and learn as much as you can before you go to the real world. Obviously

the next step is that after qualifying in their studies most of them start paving the way to prepare for what is to come tomorrow. I'm a strong believer that qualifications don't give you quality. What matters is getting really involved and learning to do multiple tasks in schools or in other institutions such as CA Sri Lanka. Education does not teach the heart, it teaches the head, but heart also needs training and I think it's the training of the character that is needed. I think studies are good and you need it, but to build that proper character the society demands, it needs more than the knowledge in your head. I'm not saying that you should be able to compete for Sri Lanka or compete in school level, but what I mean to say is that, get involved with sports and learn to balance your life between studies and sports.

If you can balance your life, I think it's about getting the best of what you have as an Accountant and to get the best, you should not waste any moment without gaining knowledge and other extra skills. And it is important that you have a passion for your subject. I don't find accounts very interesting even though you guys like it despite it being very tedious. Anyway you have to find the passion to enjoy the subject and the same goes with sports which is also not an easy task with the tough training schedules they have. But even if they had to make many sacrifices they found swimming interesting. So as a Chartered Accountancy student it is also necessary that whatever you do, you should really enjoy it and if you are not enjoying it I don't think anyone would wake up early morning being excited about what they are going to do during the day. But if you do enjoy what you do you certainly will get the best results out of you.

9. You worked at one of the leading multinational Companies - but soon preferred to abandon an office desk and go back to the swimming pool. What made you to take that decision and what would you like to share about your working experience?

Well it was a good journey but when I came from US, people said banks pay the most amount of money and after spending so much of dollars, I did want to earn something to cover my expenditure. So I joined an international bank where my stay sadly lasted only for 6 months. I ran away (not literally) from it for a simple reason; because I was not meant to be a banker. Then I joined a multinational company in the marketing side. It was a good option but yet I was struggling since I wasn't satisfied with the pay. Even as a brand Manager I used to earn less than a peon. The person who served me tea was earning more than I was. I then decided to start teaching swimming on a part time basis which made me realize that I quite enjoy teaching swimming than doing a desk job wearing a tie. I realized where I really blend in. But then again I also questioned myself that if I was a qualified person I should get a job in the mercantile world and after studying in America, but why be a swimming coach? There was no connection. But I realized that coaching made me happy, I enjoyed doing what I'm so passionate about than doing something I was bad at. Now we run an Academy, we have over 20 coaches, so it's almost like a business. But I have to agree that doing a marketing job taught me to be creative, to think outside the box and to do things differently compared to most other

swimming academies. Another fact is that if you realize that you can do well in society, you can do well in jobs. I'm not telling all of you to be coaches or anything similar, but for me as a swimmer, I'm involved with children and there is something more to give when dealing with kids, I think it's a unique situation. Everybody doesn't have that opportunity, but in my situation being a coach I can make a difference in ones' life and whether to make it better or worse solely depends on how we deal with them.

10. "The entrepreneur always searches for change, responds to it, and exploits it as an opportunity." – (Peter F. Drucker). How has your entrepreneurial venture turned out, over the years and what advice do you have to give to young entrepreneurs?

The image of this country with regard to a swimming coach is that 'they just teach to swim' and that's it. Let me tell you an incident which happened when I went for Para Olympics. After the Olympics they have the Para Olympics for the differently abled and I was given the responsibility of managing differently abled participants of Sri Lanka. They did very well and believe me, they were fast. At the closing ceremony in Sydney with around 80,000 spectators walking out, I came face to face with my old coach from Royal College who was actually in Australia then and was the head instructor for 'Learn to Swim – Children's foundation' at the Olympics. We exchanged contacts and he sent us information on how he ran an academy in Australia. It was different to how we taught in Sri Lanka. My brother and I looked at it and it took almost 6 months for us to put all pieces in place and rebuild the academy differently.

My brother and I somehow decided to part away and now he is on his own. We now have 20 coaches employed; people from outstation areas and some other graduates who are doing higher studies, work with us for part time income. Ideas can be taken from anyone including the west, from the people around you and then you can get it nurtured to fit in to the local situation. I think it needs a lot of effort and concentration, but if you just sit and limit yourself to what you have, you'll never even touch the 'E' of expand. The quote that you used; 'Entrepreneur always searches for change- Yes I agree, to me change is about changing the change. Today, I'm still trying to find new ways to teach swimming; for example I have told all our coaches to think outside the box, most of the coaches are from the distant areas, and I tell them not to do what I want but to always try to come up with new innovative ideas even if it leads to an unsuccessful attempt at the beginning. It was amazing to see the ideas they came up with when you give them room to think outside the box, giving them the opportunity to create a new system of teaching. I like the fact that others contribute and I do expect everyone to contribute. I don't think many companies allow the juniors to give out their suggestions because the big boss is scared that they will perform well than you guaranteed. For me, this year my biggest job is to try to make our coaches work better than I do. And like you said most of the great business people are uneducated but they do have creative minds. Warren Buffet is an entrepreneur and he is one of the richest men in the world, but he supposedly writes only one letter to his directors every year and then allows them to run the show. Obviously that letter has a lot of depth but yet it allows

them to manage everything in their own different ways. You can do what other people do and there is nothing wrong in that, but thinking outside the box is the turning point where large scale businesses like McDonalds', Coca Cola or Microsoft have something very new to offer every time. They are not scared to go out and try because if you talk to those people and even sportsmen like Mohammed Ali or Michael Jordan, they have failed many times and that's the reason for their success in the latter part of their career. Let me use the quote again 'entrepreneur always search for change'; I'll give you a small example; just this morning a big burly boy came for swimming, we do physical training here but that is for the students who compete. I sent that young boy in the morning to do some fitness training with our competitive boys and he came out happy as ever, I think all the other kids were helping him out and suddenly I realized that it can be a business opportunity, using fitness programs for those who want to reduce their body would be an ideal option. I think that is the way to make a change or else even now I'll be doing the same schedules all over again. Therefore I think change is necessary and change is important.



Technology also plays a major role in bringing a change. I mean certain countries such as USA uses various modern technologies for training. Whereas we train them verbally without any other methods but now it is no longer effective as new technology has come into play. The US has bought a 'Go Pro' method where in all adventure sports they put a camera to record, I bought that because I surf. After I brought it here I realized that it is an underwater camera with a remote controller which can be used to record what the swimmers do. We are also trying to see whether we can put up a website and put more information of every child into the website so they can have access to what they have been doing so far. Moreover Biomechanics is a technique that has lot of science and lot of technology involved, but it is beyond our boundaries. People in the west, they do

lot of research and that information is given to us. Thus technology can be used to improve techniques and to improve the methods of training. Science is improving very fast and when it comes to performance there is no technology which is good for swimming. You have to get on the block and race with others. In formula one, racing can be disadvantageous because even if you are a good driver but you don't have a good car, still you won't win. For sports like boxing, wrestling and swimming technology has nothing to do with the final performance, which is advantageous.

11. As per your view, what needs to be improved in the Sri Lankan education system in order to balance sports and extra- curricular activities with studies?

I think simply believe that A/Ls are there to see how many people fail. It's two years of memorizing and I think 80% of what you memorize a day, the day after you'll forget. Once a catholic priest at a Montessori when he addressed the parents, said; that for 12 years we train just the head and not the heart. I completely agree with that. I studied in the US which was an interactive 4 years with lot of subjects. It's just not memorizing but getting involved, applying, and researching. I myself didn't pass my A/L, so may be its sports that helped me gather some knowledge about certain things.

12. So what do you recommend to improve?

Be creative and think out of the box. I think we are failing in the old English system. Like we say an entrepreneur always searches for change but are we actually searching for change? Respond to it, if you talk to the students some ideas can be gathered, instead of instructing and burdening them what to do and not to do. They are the ones who are learning and know best of what they need to improve in any way possible.

13. What brings you joy being a coach and how do you consider the future of Sri Lankan Swimming?

What brings me joy is seeing kids training at the same time enjoying themselves. Managing this Academy is enough for me because our idea is to help children in sports and help them to be the best they can and most importantly to help them to build their character. Doing what I do for these reasons gives me joy. It is always nice to see these children enjoy what they do and even take challenges. It gives me such pleasure when I see a positive change in swimmers, like when the parents say that their children are changing to be better than who they were before. When you have changed somebody's life into something positive, that is enough. And it doesn't mean that everyone has to bring a gold medal to bring me joy. The weakest swimmer, understanding that he is improving, will put a smile on his face and also mine because we usually don't recognize swimmers on the place they get but we recognize them from the effort they put and that should also be the motto to life. It should not be about who came first but who put their effort the best into what they are doing is what matters the most.

14. How do you consider the future of Sri Lankan Swimming?

Like I said earlier in the previous questions, planning is important. It's a known fact that kids like to swim and face

challenges but if you really want to compete internationally, the whole system including the education system must change. If we change accordingly I'm sure we can do better in the long run.

15. "Sports do not build character. They reveal it". As a national swimmer, what are the qualities, that you believe, a true sportsman should trait? And to what extent do you think, they are applicable and useful to CA students?

It's good to draw a parallel between sports and studies; accountants for instance. Everybody has targets. I think the biggest quality is to recognize your competitor and appreciate them. The biggest problem in this country is that we don't even recognize competition, we don't try to come together to build the industry. I have heard business people trying to put the other down, without coming together and building it to make it better for all. We should learn how to recognize somebody else's effort. For an instance at the end of the race say "hey well done! You beat me and you did well", "I'll come back don't worry, it's good that you beat me I will train harder now for next time". This happened to me in the US open water sea swim. In Hawaii people from mainland came to swim, there were professionals too and I came 3rd and I missed being 2nd and I remember how I sat with that person who beat me and he told me what my mistake was. So if we can recognize competition and appreciate competition and say we are in it together letting the best person win that day.

When you look at Parliaments in the west, when it comes to elections they compete very hard and when one loses he acknowledges the winner and they carry on. Here I don't get to see that. We should really start to recognize the opposition and let the better person win, that attitude is lacking in sports sometimes. Win at any cost is what we know. Sometimes within a company there can be many accountants and everybody is trying to climb the ladder. I also have a strong quote that I believe in; "If you want to go fast, go alone. If you want to go far in life, go together". I think whether it's sports or in your field of accounts, supporting each other and going far is good enough.

16. Staying physically and mentally fit is vital to not just to a sportsman, but also to anyone in the corporate world. How do you keep yourself fit and what is your advice to young Chartered Accountancy Students?

I think I'm fit to train 3 to 4 times a week but I can't train alone so I train with others. I used to play badminton with my friends, so I think that was the best way to stay fit since you are entertained and you also get some exercise. I think healthy living is good of course. A businessman once quoted; "Your health, your family and your work are three important things in life, take care of the first two and the third will take care of itself"

17. What is your advice to young Chartered Accountancy Students?

Just stay fit and enjoy life. Running tracks are built here and there and now I see hundreds of cars stopped in Colombo. It is nice to see people in Colombo walking again. I know all of you study a lot and you sacrifice a lot but find some time to get out and exercise. With that, in the meantime

I think you'll do better in your studies too. So try not to stick to books too much, and exercise for 20 -30 minutes a day or every other day atleast. Find a game that you are interested to play, such as badminton or squash, any game, but gradually. Don't go in and suddenly start exercising because if you overdo it also there are other problems.

Will the fitness help the studies? It is truly worth doing a research on that. But I personally think that it does.

18. "Our careers are also sometimes like the sea. It is calm some times and rough in certain instances, but we should be able to face any situation that comes", what advice do you have to offer for Chartered Accountancy students in this regard?

Well I think you have to have a strong will power and you also need close companions such as your family, your friends, your siblings and your old teachers. When cricketers struggle they go to their old coach because when something minor is missing, only the people who were with you from the beginning would know. Don't feel afraid to ask for help. Lot of people don't want to show that they are having problems. For me, I have faith in God and I look up to him for lot of my help. And let it be good days or bad days but in a human perspective, you can even ask help from the people around you. There's no one without problems. Remember that sometimes the way you overcome your problems, you may be of help to somebody else later on. For Accountants, there is more pressure I guess. They can come in their respective fields, emotional wise or even with your exam results. I had a cousin of mine who repeated Chartered Accountancy examinations many times and now he is employed at a reputed company. So never give up!

19. "The best athletes in the world are those who are willing to push harder than anyone else, and go through more pain than anyone else." Your journey might not have been a rosy path yet there may have been many who helped you along. What are the challenges you faced on this journey?

I have faced so many actually. I wasn't very studious when I was young. Then I got a scholarship to the US and a girl starts to beat me, which is the worse that could happen for a guy. There were days I struggled. Swimming was like God because I wanted so much out of it and then, I personally felt that God had a another plan for my life and so he sent me through tough times where it was cold, I was living in

the east coast with no money, no performance and I was constantly under pressure. I couldn't quit because I would lose my scholarship and then I'll have to come back. And I hung in there for 5 years with all the struggles. I don't think any of the swimmers will go through such a torment. Then in the 1991 SAAF games I ended up winning 5 or six gold medals, but only my mother and I truly knew about the struggles behind all the victories. I improved my timings after 5 years. One month before the South Asian Games I quit, because I was not enjoying the game and I was under pressure. The officials told me to come back and swim, which I did. I'm happy that I swam and I won all those gold medals. People talk about me because of that and you are interviewing me because of that but my biggest victory is getting my best timings which I y couldn't do for 5 years. That's when I knew that, inside me I was a champion. I'm glad that I went through all that, so today I can relate it to a whole lot of children here who are struggling just like I did. Everybody is going to struggle and I would like to quote the Olympic motto 'It is not the victory but it's the struggles in life that matters.' At the Olympics one will win a gold medal but what about the others? Are they not victorious? In the Olympic charter they are all winners because they all struggled to get there. So let's struggle because I think it's good to struggle, it is only when you go through struggles and overcome it, and then you get a guarantee that you will get the best results in the future.

20. Finally, what is the message that you would like to convey to students of CA Sri Lanka who will be the future leaders of our country?

Everybody is a leader, starting from the one who sweeps the street. It's a huge team effort and team work that everyone puts in. So if this country is to move forward, we have a critical role to play. Every branch in the tree has a role to play, we do play at different levels but we are all one, the same tree. So I think we have to recognize each other's strengths and weaknesses and know that each and every one is special in their own way. All of you have helped the country when you look at it in a broader aspect and you have helped the company to progress, so that more people will be employed and people will get food on their tables. So it's not about your personal victory alone, because you might never see how many people you have influenced. You all are accountants and you all are in the back stage; you might not see the real results but all of you play a critical role thereby making each and every one of you student a special breed and a very limited kind.

Interviewed by;

Afzal Nazeer - Ernst & Young
M.S.M. Ashaff - Ernst & Young
Premila Fernando - Kreston MNS
Gayan Prasanna - Hulangamuwa & Cooray

Photographed by;

Umangi Fernando - Ernst & Young



The Colombo Stock Exchange;



**"A well informed investor makes prudent decisions.
Below are a few of the most frequently asked questions about
investing in the capital market."**

Q. What would you say are some of the primary concerns one should have before investing in the Stock Market?

Considering the present context of low bank interest rates the Stock Market is an ideal avenue of investment for those planning their financial futures.

However before deciding on where to invest you need to decide what your goals are, financial goals differ from one person to another.

For some financial freedom means having an extra income in order to be able to enjoy certain luxuries. For others it may be to provide well for their family or the option of early retirement. Therefore it is definitely a good idea to write down your goals before investing.

Once your goals have been decided, it is a must to think about how much money you will need to realise them. In order to earn this money from your investment, the asset or product you invest in, must have the ability to grow your capital. This is where the risk - return tradeoff is considered.

You should first think about your goals, the time horizon for achieving them and the amount of money needed to attain these in the context of the level of risk you are prepared to take. It is a precautionary measure to invest only the money that you don't immediately need and won't need in the foreseeable future. Share investments in particular work best when they are held long-term. If you suddenly decide to sell your shares because you need the money, you should be aware that you would be incurring unnecessary transaction fees and there could be a possibility of losing money if at the point you decide to sell, the price of the shares has fallen to a level lower than when you bought it.

As all investors want to optimise their after-tax returns it is also important that you should have at least a basic understanding of the tax treatment of different types of investments.

Q. As mentioned earlier there are certain risks associated with investing in the market, how does one mitigate these risks in order to maximise returns?

There is an element of risk in any investment, and most investors utilize 'diversification' as a strategy to reduce and manage risk. The famous investment adage 'don't put all your eggs in one basket' is the best way to understand what diversification is.

In the context of investment this means that to minimise risk an investor has to diversify investments across various investment products. This is because the performance of markets, shares and certain other investments follow cycles.

A savvy investor will not limit his investments to one asset class. Some investors fall into the trap of putting all their money into one asset class – usually at its peak, and then watch as another asset class takes off.

It is better to diversify, spreading your risk, enjoying the upturns in market, rather than trying to 'time the market'.

If equities are your sole investment, it makes sense to diversify between different companies and sectors. In this way, losses made on some investments can be absorbed by gains made in others, keeping the overall return on investments positive.

Q. Are share investments the only way to invest in the Stock Market?

No, there are other options available depending on your goals, a wise investor should research what products are available on the market before settling into investing.

Once you have established your objectives and gathered knowledge on the range of products and investments, you can begin constructing a suitable portfolio for your purposes.

Although you can consider making your own investment decisions by informing yourself well, it is always more prudent to ask a qualified financial professional who is well versed in advising the public about investment options. Make sure you understand what you are investing in.

Alternate to investing directly in listed shares at the stock exchange investors can alternatively choose from a range of securities that are not listed and can also be purchased from Unit Trust management companies, commercial banks, dealers of government debt instruments and other reputable firms which offer financial and investment services.

We cannot stress enough that you should seek professional advice if you fail to fully understand the features of an instrument, the investment-worthiness of the issuer or if any other doubt or confusion arises about the product or its issuer.

Q. What is a Unit Trust and how does it differ from directly investing in the market?

It is an alternative method of investing in the stock market, where a collective investment scheme is created through money collected from several people and these are pooled together and invested in different investment instruments. The Unit Trusts will then invest the money in different types of fixed income securities (government securities such as treasury bills, treasury bonds and repurchase agreements, fixed deposits, commercial papers, asset-backed securities, debentures, etc.) and listed shares of several companies.

They are ideal for investors who do not have time to follow the market as well as their investment. If you are interested you could visit the website of the Unit Trust Association of Sri Lanka (<http://utasl.lk/>) for further information on the industry.

Q. What is the return that the investor can expect from Unit Trusts?

The return depends on the type of Unit Trust you have invested in. If it's an Income Fund, you can expect a regular dividend from your investments. If it's an Equity Fund, you can expect a growth in your investments in the medium to long term.

Q. What is the safety for my investment and who manages my investment?

"In a Unit Trust, an independent trustee is appointed to take care of the investors' assets. A financial institution such as a bank acts as the trustee for a Unit Trust. While a fund management company operated by investment professionals manages your money and their investment decisions are backed by strong research.

All investments must comply with investment parameters specified in the Trust Deed and this is checked by the independent trustee. Further, fund management companies are regulated by the Securities and Exchange Commission of Sri Lanka."

The CSE periodically conducts trilingual Educational Workshops, by attending these workshops you can have a better understanding of how to make a wise investment and plan your financial future.

**Are you getting
the best return
for your investment?**

**MAXIMISE
YOUR
RETURNS**

**INVEST
WISELY**

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Do females have a higher burden than their male counterparts in dual career couples?

By: H.M.N Fernando



Acknowledgement

This note of acknowledgement is to convey my warmest thanks and appreciation to all who helped me in numerous ways.

I am really grateful to all the lecturers & friends who tendered support & inspiration to fulfill this task.

Finally I wish to express my deep sense of gratitude to all those who helped me directly or indirectly to make this effort a success.

The society continues to emphasize that a woman's basic roles should be mothering and domestic working only. "The labour market in recent decades has seen a tremendous growth in the labour force participation of married women due to women's educational attainment. As a result, dual-earner, husband-and-wife families are quickly becoming the norm, shattering the image of the 'traditional' family in which the husband is the only breadwinner" (Bonnell & Sussman, 2006).

As married working women, they have to deal with multiple roles in the family in addition to their career. They have major responsibilities for household tasks and childcare. These responsibilities tend to emerge though work-family conflict which becomes an obstacle in managing their employment. Therefore this situation generates huge burden to females than their male counterparts in Dual Career Couples.

Rapoport and Rapoport (1969) defined "DCCs as families where both partners pursue a professional career". That means both husband and wife engage with a professional career (Rapoport & Rapoport 1969 as cited in Abele & Volmer, 2011).

Having children brings a lot of responsibilities to a family life and this is the reason why many women decide to leave their careers prematurely so as to raise their children

sufficiently. For this reason, employers occasionally hesitate to promote women because they are afraid that women will choose their families first. (George, 2005 as cited in Akpinar, 2012).

A broad review of existing literature on barriers to women's career advancement suggests that one of the most important reasons inhibiting women's rise to the top positions in management is the work-life conflict that women professionals experience because of their strong commitment to family responsibilities.

The consequences for women may include serious constraints on career choices, limited opportunity for career advancement and success in their work-role, and the need to choose between two apparent opposites an active and satisfying career, or marriage, children, and a happy family life. Many studies have found women themselves admitting that many domestic factors make it difficult for them to advance to higher jobs (Punia, 2005 as cited in Buddhapriya, 2009).

The glass ceiling is a concept that most frequently refers to barriers faced by women who attempt to attain senior positions (as well as higher salary levels) in corporations, government, education and non-profit organizations of DCCs. "Glass ceiling is visible and invisible obstacles which

separates the professional and organizational hierarchical level for women” (Akpinar 2012). In particular, women who believe that glass ceiling phenomenon will operate to their disadvantage may be less likely to apply for open positions than equally qualified men.

Many women who are at senior management positions seem to be not quite willing to climb for upper management positions because they cannot take the risk of bringing political conflicts, polemics and ambition into their family lives. According to Dickerson & Hester (1984) a woman who tries to combine a career and a family is soon reminded that she's flaunting the socially accepted norms. She finds herself in a seemingly no-win situation. The qualities associated with the role of wife-mother (nurturance, emotionality, responsiveness to people rather than ideas) are seen to be incompatible with those qualities associated with success in the occupational sphere (independence, rationality, and assertiveness) (Dickerson & Hester, 1984 as cited in Bonnell & Sussman, 2006).

There is a world recognized concept called as Egalitarian. Schober (2007) defined “egalitarian is non-discrimination of gender. That means both males & females have equal power and opportunities”. As declared by literature, domestic responsibilities also equally apply to both husband and wife in accordance with egalitarian but the problem is whether the concept of egalitarian theory is practiced in the society. As a result of this growing variety in lifestyles different people find desirable, the effect of inequality in the division of domestic work on couples' may negatively impact to wives in the couple.

Men have had fewer difficulties combining their roles as fathers and providers of the family, since traditionally their labour market attachment has been the key component for both roles. However male counterparts have less burden regarding domestic or family chores than female counterparts. Still females have to play their traditional role within their families with a higher burden. According to theoretical perspective of egalitarian, males also considerably involve with family chores and they also have to take family responsibilities as female counterparts, but there is no doubt whether it is really applied or not (Schober, 2007).

Research over time and across cultures continues to document the persistent inequality in the allocation of household work within dual career families, even among couples with 'modern' ideologies and a commitment to gender equality at home and at work. Study conducted by Googins and Burden (1987) suggests that among married couples, fathers reported to be spending 10-15 hours less each week on home and childcare tasks than full-time employed mothers, giving fathers a combined weekly job-home load of 68.92 hours and mothers 83.91 hours. To do a demanding job and managing family and social life simultaneously is notoriously difficult to wives in dual earner families (Googins & Burden, 1987 as cited in Buddhapriya, 2009).

Stress for women include role overload from paid work and family work, role conflict, pressures associated with

child care and other family care, and aspects of spouse relationships, including dissatisfaction with spouses' contribution to family work. Research also suggests that women managers report greater stress than men managers due to childbearing, conflicts with their partners, and other family-related problems (Lewis and Cooper 1987; 1988 as cited in Buddhapriya, 2009).

Wives in dual career couples have to work under pressure of two extreme situations as career chores and family chores. Family environment and work environment are the two factors that contribute to the enhancement of complications or problems for employed women, and between the two, the non-job factors or family- related factors weigh more importantly for women (Joshi, 1990 as cited in Schober, 2007).

Based on above mentioned descriptions we can conclude that females have to work with huge burden involving both household work and career related tasks than their male counterparts in dual career couples. On the other hand, it limits their progress in the career ladder and hampers the achievement of their goals in professional life. When compared with males, females have to wait long or considerable time periods for achieving their career related tasks and goals even having high educational and professional qualifications, due to above mentioned pressures or difficulties. Therefore this is a considerable issue and dilemma in society and can be considered as an exploratory study for future researches.

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CA Students' Conference 2013 – Pakistan

“I AM MORE THAN A NUMB3R”

The annual CA Students' conference organized by the CA Students' Association (CASA) of the Institute of Chartered Accountants of Pakistan was held at the Pearl Continental Hotel, Karachi on Tuesday, 17th December 2013. The conference was based on the theme “I am more than a number”, which enlightened a platform of how we, the Chartered Accountants fraternity have more to us than just a number.

This conference was witnessed by Six CA students from Sri Lanka including the Vice President, Sports Secretary, Editor and ex-editor of the Chartered Accountants Students' Society. These participants had the opportunity to share their thoughts and affiliate with the Pakistani students during their short visit. Mr. Fazil Buharie (Editor) and Ms. Oshini Yapa (Ex Editor) were given the opportunity to share their views on the Conference theme at the panel discussion, which took place at the Conference.



Students International Conference 2013 – India

“Accounting Professional: Ace, Astute & Adaptable”

Thirteen CA students, including seven members from the Chartered Accountants Students' Society were awarded the opportunity to participate for the Students International Conference 2013, organized by the Board of Studies of the Institute of Chartered Accountants of India which was held at the Science City Centre, Kolkata on the 14th & 15th September 2013. The conference was based on the theme “Accounting Professional: Ace, Astute & Adaptable”, and themed around the development of the versatile accountant.



COMPANIES ACT 2013

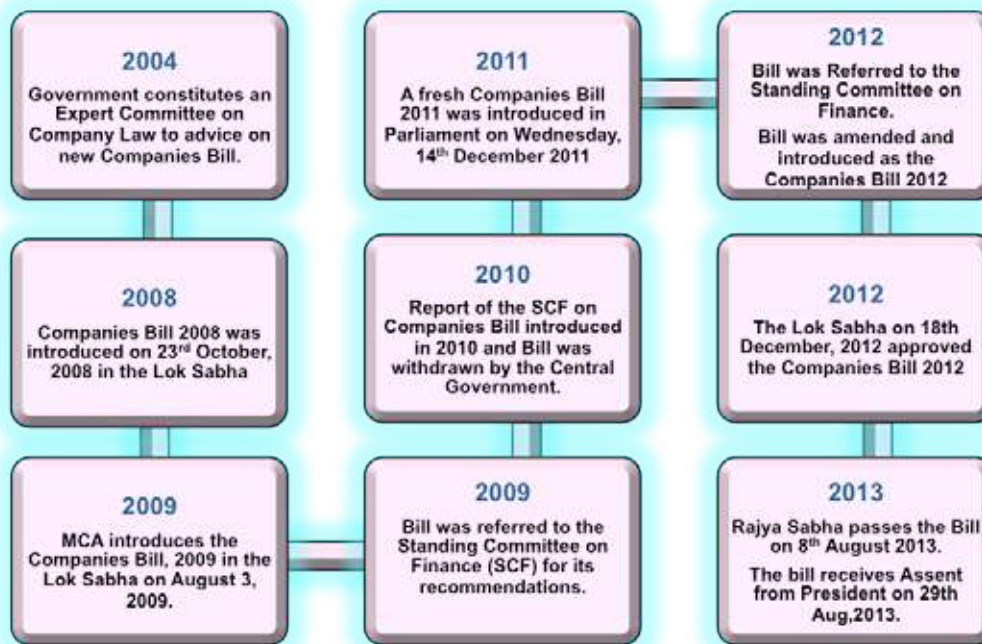
By : Abhay Tulsian | India

“Nothing is permanent in this world, except change”. Change is inevitable and is very important because changes lead to development and development leads to success. As far as changes are concerned, 29th August, 2013 is one of the most remarkable days in the history of the Indian corporate arena because it is the day on which Companies Bill 2012 of Parliament received the assent of the President. After waiting for almost 6 decades, it is now time for the Companies Act 2013. The new legislation promises to bring easy and efficient way of doing business in India, better governance, improves ways of transparency, enhances accountability, inculcating self-compliance and making Corporates socially responsible.

BACKGROUND

The Companies Act, 2013 is a historic legislation all set to replace the existing company law, which is 56 years old. Due to continuous Globalization and Liberalization,

nation began to feel the need of a new Companies Act with enhanced levels of accountability, transparency and much more. The Companies Act, 2013 (Act 18 of 2013) consists of 470 Sections and 7 Schedules out of which 98 sections have already been notified.



FLEETING GLIMPSES OF KEY PROVISIONS



INSIGHT ON FEW NEW RULES OF THE GAME**Salient Features:**

COMPANIES ACT, 2013	COMPANIES ACT, 1956
29 Chapters	13 Parts
470 Clauses	658 Sections
7 Schedules	15 Schedules

New Chapters included in Companies Bill 2013:

CHAPTER DESCRIPTION	CHAPTER NUMBER
Registered Valuers	Chapter 17
Government Companies	Chapter 23
Companies to Furnish Information or Statistics	Chapter 25
Nidhis	Chapter 26
National Company Law Tribunal & Appellate Tribunal	Chapter 27
Special Courts	Chapter 28

Woman Director:

India is going to be first among the Asian countries to bring legislation to bring women quota on boards and in senior positions after Norway – first country globally to introduce gender quota.



However, most of the developed countries including US, UK, Canada, Germany, Singapore & Australia don't have any such quota or legislation in place.

The following class of companies shall appoint at least one woman director within the prescribed period as mentioned.

- i. Every listed company – (Within 1 year*) &
- ii. Every other company having a paid-up share capital of 100 crore rupees or more –(Within 3 years*)

(*From the commencement of second proviso to sub-section (1) of section 149).

One Person Company (OPC):

OPC is another welcome move in line with the concept followed globally. It is beneficial for sole proprietors who intend to enjoy the benefits of limited liability. A private company with only one member or director, enjoys exemption from various filings, meetings, compliances etc. OPC is required to specifically mention the word “one person company” below the name wherever it is used. Act provides additional flexibility and relaxations to OPC. Some of the relaxations provided to OPC are as under:-

- Cash flow statement is not required.
- Annual Return can be signed by CS or one director if there is no CS.
- OPC should have minimum 1 director.
- Board meeting of OPC is required to be held at least once in each half of a calendar year and the gap between the 2 meetings is not less than 90 days. Provisions of board meeting, quorum and interested director shall not apply to OPC.
- OPC need not hold an AGM.
- Financial Statements can be signed by only one director.

**Audit & Auditors:**

The New Companies Law provides for drastically reformed provisions so as to upgrade the entire audit standards and systems to bring them in line with globally accepted practices and make auditors more liable. Making it mandatory for audit firms to rotate is one of the measures regulators around the world are looking with the intention of improving the independence, objectivity and professional scepticism of auditors.

Unlisted/Private companies or Listed/specified class of companies		Government Company
1st Auditors	Will hold office till conclusion of 1st AGM.	
Appointment and time limits	By BOD (Within 30 days from the date of Reg.) or By Members at EGM (Within 90 days of Information)	By CAG (Within 60 days from the date of Reg.) or By BOD (Within 30 days from the date of Reg.) or By Members at EGM (Within 60 days of Information)

The new law provides for Mandatory Rotation of auditors for listed companies and other prescribed classes of companies after 1 term of 5 consecutive years in case of an individual auditor and after 2 terms of 5 consecutive years for audit firms. It also provides for a cooling off period of 5 years before next appointment.

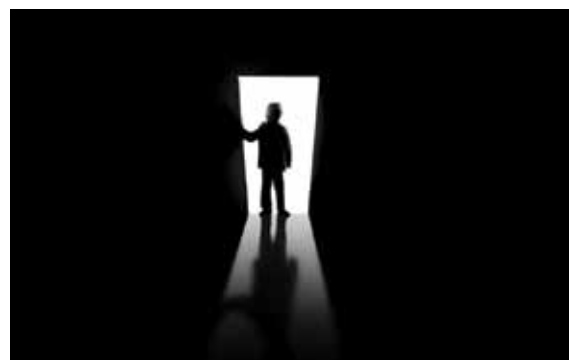
- Incoming Audit firm should not have any common partners who were the partners of the outgoing Audit firm.
- Transition period of 3 years provided to the companies to comply with the mandatory rotation of Auditor requirement.
- Auditor cannot provide following services “directly or indirectly” to the company or its holding company or subsidiary company, namely–

- Accounting and Book Keeping Services;
- Internal Audit;
- Design and Implementation of any Financial Information System;
- Actuarial Services;
- Investment Advisory & Banking Services;
- Rendering of Outsourced Financial Services;
- Management Services; and
- Services prescribed under the Rules.



Independent Directors:

Stock Exchange Listing Agreement requires the Appointment of independent directors (ID) on the board of listed companies in order to ensure a better Corporate Governance. The new act also has made it mandatory for companies to appoint ID and also have defined the term ID and has also prescribed the requisite qualifications.



The following class or classes of companies shall have at least one-third of the total number of its directors as ID:-

- Public Companies having paid up share capital of Rs. 100 crores or more; or
- Public Companies which have, in aggregate, outstanding loans or borrowings or debentures or deposits, exceeding Rs. 200 crores.

*The criteria specified shall be applicable for the first year and shall continue to apply to that company in subsequent years during the tenure of the ID even if the paid up share capital or net worth or borrowings/deposits, as the case may be, fall below the limits specified therein.

An ID shall possess appropriate balance of skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business. The requisites mentioned in the new Act for eligibility to be an ID indicates the intent of the Government to ensure that an independent director is not only a capable and experienced

person, but he should not have any material pecuniary or other relationship with the company that would come in the way of his discharging his duties without fear or favour.

Corporate Governance:

During the last decade, Corporate Governance has become one of the most widely discussed topics in the business world. In the wake of the Satyam scandal, the new act has sought to prescribe stringent standards of corporate governance. Many new provisions have been incorporated and new definitions have been added to the areas like

- Initiatives towards Transparency & Disclosure
- Disclosure of interest by directors
- Disclosure and approval of Related party transactions
- Strengthening Board Framework
- Stakeholder interest protection through Class Action Suits
- Establishment of Serious Fraud Investigation Office
- Corporate Social Responsibility
- Secretarial Audit for bigger companies
- Requirement of new committees of Board of Directors
- More powerful Audit Committee
- Specific Duties of Directors
- National Financial Reporting Authority
- Enhanced liabilities of Auditors
- Serious Fraud Investigation Office ("SFIO"), to tackle corporate scams.

The SFIO will have a statutory status and will be mandated to investigate corporate frauds, coupled with an authority to impose punitive measures and in specific instances, even arrest persons found guilty of corporate crimes.

Corporate Social Responsibility (CSR):

Corporate Social Responsibility is now accepted as a means to achieve sustainable development of an organization. Hence, it needs to be accepted as an organizational objective. New act will make Indian companies to consciously work towards that objective, as it requires a prescribed class of companies to spend a portion of their profits on CSR activities. The spending on CSR has been made mandatory for the following classes of companies:-

- Having Net Worth of Rs.500 crore or more; or
- Turnover of Rs.1000 crore or more or
- A net profit of Rs.5 crore or more during the any financial year

Every financial year at least 2% of the average net profits of last 3 years to be spent on CSR activities, otherwise reason for not spending to be given in Board's Report.

Above specified class of companies are bound to constitute a CSR committee for the formulation and monitoring of a CSR policy that will envisage promotion of a wide range of activities including eradication of hunger and poverty, promotion of education, gender equality and empowering women, ensuring environmental sustainability and vocational skill enhancement.



Key Managerial Persons:

Prescribed class of companies to have whole-time KMP.

- A Chairperson can be an MD or CEO at the same time, if the Articles of the company permit or if the company does not have multiple businesses or where the company has multiple businesses and has appointed 1 or more CEOs for each such business as may notified by CG.
- A whole-time KMP shall not hold office in more than 1 company at the same time.
- CFO made responsible and liable for penalty and or prosecution for compliance with various provisions such as – maintenance of books of accounts, preparation & filing of annual accounts, disclosure of financial information in offer document, risk management, internal control etc.,

MD or WTD of the company who is in receipt of any commission from the company shall not be disqualified from receiving any remuneration / commission from its holding company or subsidiary company subject to necessary disclosures in the BOD report.

Related Party Transactions:

- The term “Related Party” has been defined.
- Does not require any government approval for a related-party transaction. Transaction can be entered into only if it is approved by a special resolution at the general meeting.
- Approvals will, however, not be required if the transactions are on arm’s-length basis.
- Shareholders interested in the matter cannot vote on these general meeting resolutions.
- The directors, promoters, key management personnel and top 10 shareholders in listed companies must report any share purchase or sale within 15 days to the registrar.

National Financial Reporting Authority (NFRA):

The name of National Advisory Committee on Accounting Standards has been changed to National Financial Reporting Authority (NFRA).



Now NFRA will also advice on matters related to auditing standard in addition to accounting standards. The constitution of NFRA has been changed. Chairman to be appointed by the Central Government and such other members not exceeding fifteen, as may be prescribed. The Chairman shall be a person of eminence and having expertise in accountancy, auditing, finance and law.

National Company Law Tribunal (NCLT):

The New Act proposes constitution of a “National Company Law Tribunal” to replace “Company Law Board” and also assumes the jurisdiction of the High Court, which will consists of Judicial and Technical members, as Central Government may deem necessary, to exercise and discharge the powers and functions conferred including approval of merger, re-structuring, corporate reorganization, capital reduction, extension of financial year etc.

- Principal bench of NCLT shall be at New Delhi and there may be such other benches as may be specified by CG.
- NCLT to endeavour to dispose of the proceedings within 3 months from the date of commencement of the proceeding.
- Appeals against the order of NCLT shall lie to NCLAT.

Class Action Suits:

A class action or a class suit is a lawsuit that allows a large number of people with a common interest in a matter to sue or be sued as a group. The concept that is common in developed countries such as the US, UK and Singapore did not exist in India. The provision of class suit gives stakeholders an edge in retrenching their rights. The new act, includes provisions that will enable stakeholders in Indian companies to bring class suits. Stakeholders will definitely benefit with this provision. So far, filing a case of oppression and mismanagement was the only recourse available to aggrieved shareholders. Class action suit gives them additional rights and grounds to fight for their rights and any abuse of powers by the company, its management or to that matter even the auditor and consultant. For the corporate sector, class action means stakeholders will have more rights and powers to seek action against them.

i. Class action suits can be commenced collectively by a minimum of 100 shareholders or depositors, or a minimum prescribed percentage of such shareholders or depositors, whichever is less.

ii. A class action suit may be brought against the company, its directors, auditors or any experts, advisors and consultants for their inactions and wrongdoings.

iii. Upon admission of a class action application, all similar applications in any jurisdiction are required to be consolidated into one single application. This provision would reduce multiplicity of litigation on the same subject matter.

iv. However, banking companies have been granted immunity against a class action.

Dormant Companies:

The new act has also defined Dormant Companies which was not previously defined in the Act of 1956. Clause 455 defines inactive company as a company which:

- Has not been carrying on any business or operation or has not made any significant accounting transaction during the last two financial years, or
- Has not filed financial statements and annual returns during the last two financial years.

Sick Companies:

One of the major steps towards fulfilling this huge promise is the incorporation in the Act of provisions regarding sick companies and their revival. As per the existing applicable provisions, the sickness of the Company is based on erosion of its net worth. The Act seeks to amend the existing provision by changing the criteria for determining the sickness form “net worth erosion” to “inability to pay debt”.

Cross Border Merger:

The existing act allowed merger of a foreign company with an Indian Company, but not vice versa. The new act provides for cross border mergers where a foreign company may with prior approval of RBI, merge or amalgamate in to a company registered under this Act or vice-versa. Payment of consideration to the shareholders of the merged company in cash, or in Depository Receipts or partly by cash and Depository receipts.

Fast Track Merger:

The Act provides an option of simplified and fast track process of merger /demerger in cases of specified small companies and between holding and its wholly-owned subsidiary. Under this process merger/demerger will be approved by Central Government and there will be no requirement to approach National Company Law Tribunal.

Other Provisions:

- No requirement for bifurcation of the objects section into main, ancillary and other objects. Only objects Section along with matters considered necessary to be mentioned.
- No certificate will be issued by ROC for commencement of business.
- Private companies are required to file declaration from any director that subscribers have paid the value of shares agreed to be taken by them with ROC within 180 days from incorporation, before commencing its business.
- Printing of Corporate Identity Number (CIN) along with telephone number, fax number, e-mail and website addresses on all its business letters, billheads, and letter paper and in all its notices and other official publications.
- Maximum number of persons for a Private Company is now Two Hundred (200).

- Limit of number of members in an association or partnership (without incorporation) to be prescribed (not to exceed 100). In the 1956 Act, this limit was 10 for banking companies and 20 for other than banking.

- Companies may now issue Global Depository Receipt subject to the prescribed conditions by passing a special resolution.

- A company is considered to be an associate company of the other, if the other company has significant influence over such company (not being a subsidiary) or is a joint venture company. Significant influence means control of at least 20 percent of total share capital of a company or of business decisions under an agreement.

- A subsidiary must not hold shares in its holding company subject to certain conditions.

- Apart from untrue statement, persons who have authorized the issue of Prospectus shall also be criminally liable, in case Prospectus contains statement which is misleading in form or context or where any inclusion or omission of any matter is likely to mislead.

- Company cannot issue shares at discount other than as sweat equity.

- In addition to cases mentioned in the Old Act Premium can now also be utilized for, Purchase of its own shares or other securities

- The additional period for registration of charge has been increased to 300 days.

- First Annual General Meeting of the Company shall be held within the period of 9 months from closure of its first financial year

- Under the new act there is no provision for maintaining the Index of Charges by the Registrar.

- The quorum for Public Company will now depend upon the number of members of the Company.

- Companies shall follow the Secretarial Standards while making the Minutes of Board and general meeting.

- Listed Companies are required to prepare and file a Report on each Annual General Meeting including the confirmation that meeting was convened, held and conducted as per the Act within 30 days of the conclusion of the Annual General Meeting with the Registrar.

- Shares in respect of which unpaid dividend has been transferred shall also be transferred in the name of Investor Education and Protection Fund (IEPF). Claimant of such transferred shares shall be entitled to claim the transfer of shares from IEPF.

- The Act provides for provisions relating to re-opening or re- casting of book of accounts of the Company in case of an application by Central Government, Income

Tax Authorities, SEBI or other statutory authority or any person concerned and an order in this regard is specified order by a court of competent jurisdiction or Tribunal.

- The maximum limit of Directors in Public Company and Private Company has been limited to 15.

Conclusion:

The provisions of the new Act are refreshingly different from what is provided for in the Companies Act of 1956, both structurally and otherwise. The Companies Act, 2013 is all set to bring a paradigm shift in the Indian corporate world and widen the horizon of various professionals. It

has given due recognition to the profession of Chartered Accountants, Company Secretaries & Cost Accountants. All these professionals will constitute a vital link between the company, its Board of Directors, shareholders, government and other regulatory authorities. The new Act testifies to the fact that it is a re-codification in the real sense of the terms and aims to serve the corporates with greater freedom but with severe punishment for non-compliance. The public interest is also sought to be protected adequately. The 2013 Act is expected to facilitate business-friendly corporate regulation, improve corporate governance norms, enhance accountability on the part of corporates and auditors, raise levels of transparency and protect interests of investors, particularly small investors.





Integrated Reporting

By : Saurabh Wagle | India

The traditional goal of a business firm has been to maximize profits, and financial accounting has emerged as a single tool or mechanism for measuring and reporting. The pursuit of this unitary goal has been criticized on several grounds, one among them is sustainability. Sustainability is a measure of business continuity. Investors would always look at long term sustainable value. It is a concept deep-rooted in the wellbeing of present and future generations. Sustainable development occurs when organizations do not encroach on the rights of future generations to meet their own development needs. Managers should view businesses on similar lines. It is always possible for a manager to maximize present wealth or profits by exploiting the existing resources to the detriment of future needs. The whole surrounding community and environment would have to pay a price for a longer period of time for such uncontrolled business activities. A sustainable society requires the vast majority of its companies to have sustainable strategies, defined as those that create value for the shareholders over the longer-term while meeting the needs of other stakeholders and not taking excessive or uninformed risks. The current corporate reporting model has been the subject of significant critical review in recent times with reports published by both the International Accounting Standards Board (IASB) and the UK Financial Reporting Council (FRC), amongst others. Much concern has been expressed about the increasing length and complexity of annual reports; clutter caused by the inadequate focus on what is material, and the absence of clear linkage between different strands of the report. The compliance burden has increased enormously for companies, without any obvious benefit to stakeholders in terms of transparency and understandability of corporate reporting. There is growing belief that a framework is needed to bring together the diverse but currently disconnected strands of reporting into a coherent, integrated whole, which would demonstrate an organization's ability to create value now and into the future.

Financial reporting has undergone substantial changes over the last hundred years and is currently being challenged on whether it provides an accurate portrait of the present

and future performance of firms. There is dire need of reporting of financial and non-financial information in one report. And the concept of "Integrated Reporting" (IR) was evolved. The concept of IR is new and dates back to 2002 when Danish company Novozymes, whose core business is industrial enzymes, microorganisms and biopharmaceutical ingredients, issued an integrated report in 2002. The first use of 'integrated' was made by Allen White in his work on Novo Nordisk's 'Integrated, balanced and candid reporting' dated 20th June, 2005.

IR is reporting of financial and non-financial information in one report. An integrated report is a single document that presents and explains a company's financial and nonfinancial—environmental, social, and governance (ESG)—performance. However, it goes beyond the provision of non-financial information in the same report. It is the integration of non-financial information into the financial information and providing the same to various stakeholders of the firm so as to enable them to judge the value-generating abilities of the firm. The International Integrated Reporting Committee (IIRC) states that, "Integrated Reporting brings together material information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organization demonstrates stewardship and how it creates and sustains value."

The King Report on Governance for South Africa 2009 (King III) defines IR as a 'holistic and integrated representation of the company's performance in terms of both its finance and its sustainability.' An integrated report is not simply an amalgamation of the financial statements and the sustainability report. It incorporates, in clear language, material information from these and other sources to enable stakeholders to evaluate the organization's performance and to make an informed assessment about its ability to create and sustain value.

Points of difference	Financial Reporting	Integrated Reporting
Trust	Narrow disclosures	Greater transparency
Stewardship	Financial	All forms of capital
Focus	Past financial data	Past and future connected
Time frame	Short-term	Short, medium and long term
Characteriship	Long and complex	Concise and material

The necessity on the part of corporate to provide an integrated report containing financial and nonfinancial information is on account of the failure of financial reports in providing complete and transparent information to various stakeholders. More than a half century after the birth of modern financial reporting, it is becoming increasingly clear that incremental changes in corporate reporting are insufficient to correct the systemic weaknesses that persist. Financial reporting is growing in complexity, making it hard for all but the most sophisticated users to understand the reports. There is also the difficulty of finding the most relevant information, the time lag in issuing reports, the paucity of information about the risks being taken by the company to create value for shareholders, and the backward-looking nature of the reports. The string of corporate collapses over the past decades has led many stakeholders to question the relevance and reliability of annual financial reports as a basis for making decisions about an organization. Reports based largely on financial information do not provide sufficient insight to enable stakeholders to form a comprehensive picture of the organization's performance and of its ability to create and sustain value, especially in the context of growing environmental, social and economic challenges. The increased emphasis on good governance practices in companies all over the world has also contributed to the growing importance of IR. The corporate standards of several countries expect transparency and fairness in treatment of various stakeholders' interest. Transparency, accountability and ethical leadership are the pillars of good governance. An effective reporting framework can allow leaders to reflect on the social, environmental, economic and financial impacts of the organization they lead and demonstrate through IR, integrity, transparency and accountability in their activities.



One may ask, what is different to the current reporting structure where an annual report would normally include, at a minimum.

- Financial statements
- Management commentary
- Reports on governance and remuneration
- Reports on environmental concerns and corporate responsibility

Integrated reporting is more than a static document. It entails providing performance information in a more integrated way to shareholders and other stakeholders. As a result, the extent of integration assumes all the more importance. The extent of integration could vary across firms and across different nations. There can be a combined reporting or financial integration or holistic reporting. Firms in practice provide glimpses of IR indicating that IR is not a new phenomenon. There has been an emphasis on reporting on social and environmental fronts without integration. Vancity (2005) in its survey of Canadian corporations finds the following ways companies demonstrate integration in their reports:

- Including social, economic and environmental performance in the performance highlights of the report;
- Explaining the company's sustainability vision in the message from the Chair/Chief Executive;
- Identifying material risks associated with social or environmental factors in management's discussion and analysis;
- Describing the social and environmental accounting policies with as much detail as the financial policies;
- Explaining how CSR/sustainability policies and performance are relevant to business success;
- Providing a detailed and interactive GRI index.

The extent of integration depends on:

1. Governance structure of firms,
2. Size of the business,
3. Listing status of the firm,
4. Percent of Institutional Investor's shareholding,
5. Legal environment,
6. Social progress of the nation,
7. Role of NGOs and other civil organisations,
8. Profitability position, etc.

A socially conscious corporate board would use its influence to improve the level of integration. Similarly, independent directors on corporate boards would also be a force to reckon with. Besides these broad board qualities, board committees on environment, strategy, ethics, etc., can chalk out clear rules and guidelines for the integration. Generally speaking, a large company would disclose more than small companies for the simple reason that large companies are followed more by investors, analysts, regulators, media, etc. A listed company needs to comply with listing norms and higher levels of disclosures.

There can be three forms of integration of reports:-

- (i) Combined Reports;
- (ii) Financial Integration;
- (iii) Holistic Reporting.



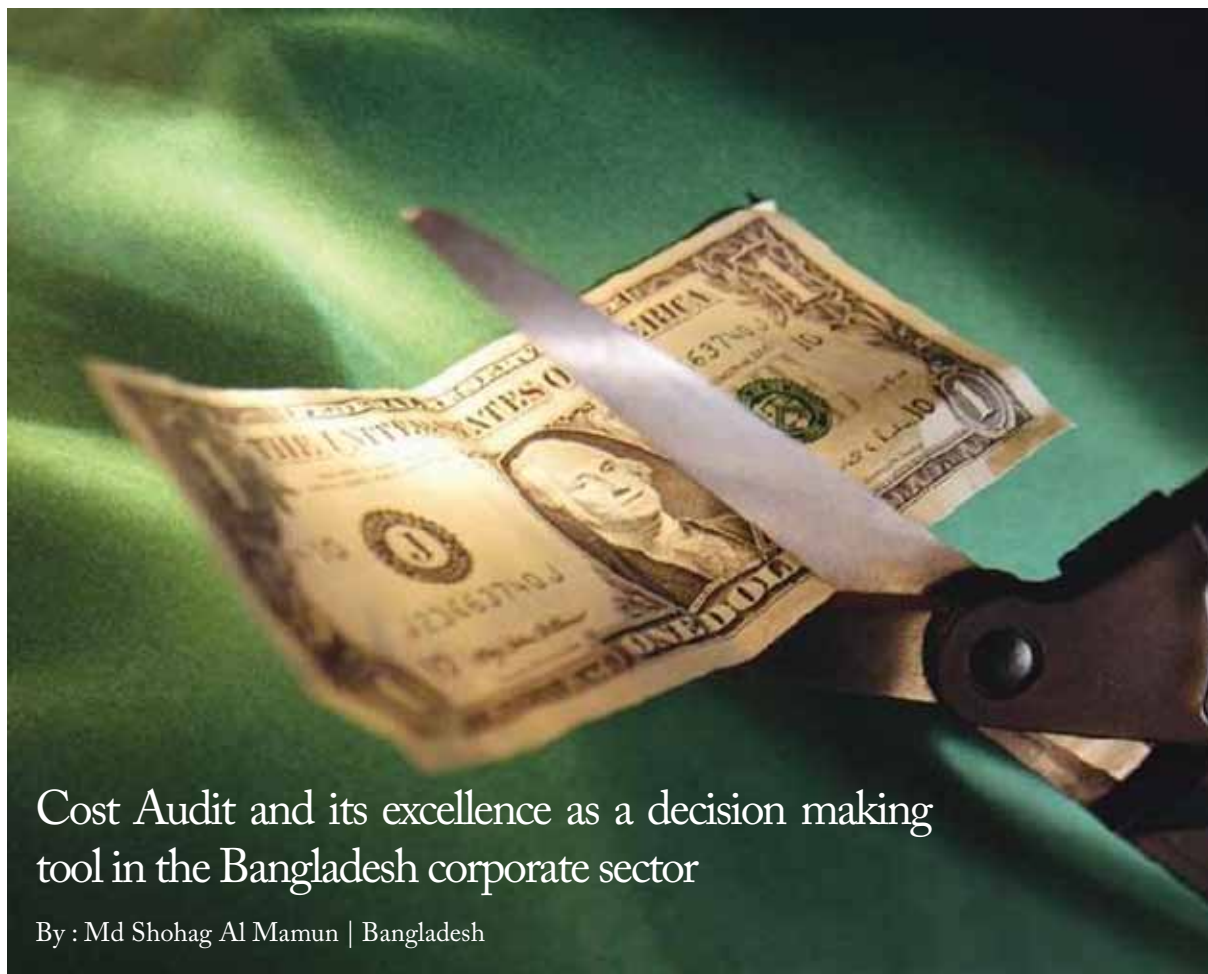
Integrated Reporting is a challenge to conventional reporting in two ways:

- (1) It calls into question the efficiency of markets based on current reporting standards;
- (2) It calls into a question the fundamental efficiency of markets in serving society.

The enlightened investing world is using several modes to measure the performance and hence an integration of financial and non-financial performance is inevitable. Preparation of a single or one report absolves the business of the difficulty of preparing separate reports on financial and social and environmental aspects. The integrated report is an answer to the question of how well the business firm is performing on the social and environmental dimensions. It is an answer by the firm to the demands of investing and other stakeholders for a report which substantiates financial and non financial performance. However, its application

to a world of undeveloped economies, where the existing practices of financial disclosures are less than satisfactory, is a difficult proposition. Even among listed firms, the sustainability reports are rarely prepared. Generally, social and environmental performance is a luxury and viewed skeptically in such economies. There are no acceptable measures of evaluating the performance of the firms on social and environmental angles. There is investor apathy also where they hardly view the financial reports. Hence, some of these challenges seem to be insurmountable. The concept needs to be popularized and suitable amendments to the listing and legal framework needs to be done. The entire framework of integrating of financial and non-financial measures needs to be developed.

The concept of IR is emerging globally and hence there are many professional opportunities for Chartered Accountants (CAs) with this regard.



Cost Audit and its excellence as a decision making tool in the Bangladesh corporate sector

By : Md Shohag Al Mamun | Bangladesh

Cost Audit is a mechanism of systematic examination of the costing systems, techniques and cost accounts to verify their accuracy to comply with the objectives of maintaining cost accounting in the manufacturing and Service organizations. Cost audit claims much high importance for its excellent contribution to the management, consumers, investors, and for the organization itself in Bangladesh.

What is Cost audit and its Objectives:

Cost audit is the verification of different costs and costing of products and services. The cost audit, therefore, comprises:

1. the verification of cost accounting records such as the accuracy of cost accounts, cost reports, cost statements, cost data, costing techniques
2. Examining these records to ensure that they are in accordance with the cost accounting principles, plans, procedures and objectives.

Cost audit is viewed as an important tool to the management's decision-making process based on examining reliability of cost data, information and costing. Cost audit especially relates to the proper price fixation of a product, wastage reduction mechanism, efficiency increase, value chain analysis, operational system redesign, to detect any error or fraud etc. Cost audit also has different domains like efficiency audit and propriety audit as well.

Strategic Importance of Cost Audit:

Cost audit does not focus only on improving operational efficiencies, but also on strategic importance as well. It provides information for managerial decisions on optimum utilization of resources on a continuous basis and aid the organization's growth objectives. Cost audit methodology and deliverables thus can be aligned with the performance governance process. It bears significant importance in promoting shareholder value. Net worth of shareholders is eroded when products and processes contain wasteful spending resulting in uneconomic cost structures and erosion of profitability.

Cost audit is a must for the anti-competitive (competition commission) authority when it wants to detect anti-competitive practices, and also for regulators that monitor prices of goods and services. In most developed countries, cost audit is 'in built' in the financial statements of public utility companies. Value Added Tax (VAT) department needs to have cost audit reports to estimate the excise and VAT liabilities for the industry concerned.

Excellence of Cost Audit:

Application of Cost Audit has several advantages for the incumbent organization and also for other interested groups. The most significant ones are enumerated below:

a) Reduces cost and wastages for the organization:

Application of Cost Audit reduces cost of production, wastages, repairs and maintenance, idle time, etc. due to the evaluation and justification of the cost by the Cost Auditor for elimination and avoidance of excess expenditure and hence profit of the organization is ultimately maximized. Through reduction of costs of operations, the organization may expect to be more competitive and more efficient; grow faster; and sustain longer in operations. Cost audit may also maximize the utilization of scarce resources and enhance the morality of the employees.

b) Accurate and Reliable information for management:

Management gets accurate and reliable information to make decision for running and controlling the manufacturing enterprises. Application of Cost Audit detects all mistakes, errors, frauds and misconducts in determining, analyzing and synthesizing costs of products and services and produces more accurate and reliable information for management to take right decisions for the business. And Cost Audit is an audit of actual performance of management.

c) More remuneration & emoluments for the employees:

Application of cost audit expect to increase the profit through reducing unnecessary extra expenditures and improving operational efficiency, and therefore, the employees of the organization may expect to get more remuneration and bonus from the increased profits.

d) Minimum price of products & services for the consumers: Accurate application of cost accounting and auditing techniques will reduce production cost which is the basis of determination of the price of the products. Consumers will expect to buy a product with the most competitive price due to effective cost control and cost reduction through cost audit. If the cost of the products reduces then ultimately the prices of the products will be expected to come down and cost audit will help in price stabilization. Hence, Cost Audit may be a remedy for the present inflation problem.

e) Reduced work-load and tension for the Regulatory bodies:

Application of Cost Audit in the organization helps regulatory bodies reducing their work load and tension. As the independent Cost and Management Accountants will evaluate and examine the manufacturing and costing systems, the regulatory bodies would expect to depend on the reports provided by the cost auditors and ultimately cost audit would ensure the effective corporate governance in the manufacturing enterprises.

f) Reliable and valid information for the Financial Institutions:

Financial Institutions seek for reliable information regarding manufacturing and inventory related operations of the organizations to which they intend to provide loans. Cost Audit report would expect to help the financial institutions to justify estimated costs of any project, to take decisions of providing loans and to be assured about the return and repayment of the loans and advances.

g) Greater amount of taxes and VAT for the Government:

Manufacturing enterprises may overstate the costs of manufacturing and other operations to reduce tax liability but application of Cost Audit would expect to eliminate

these types of tax evading functions. Therefore, Government may expect to collect accurate and higher amounts of income tax and VAT from the manufacturing enterprises and to reduce tax evasion through transfer pricing. Based on accurate cost of products data, Government would be able to protect the products from keen competition from the foreign products through tariff plan and taxation policies.

h) More dividends and higher values of stocks for the Owners & Stockholders:

Application of Cost Audit results in performance improvements and cost reductions which will increase the dividend of the stockholder and add more to them for long as the enterprise would sustain through competition. Cost Audit also bears significant importance in promoting shareholder value and in identifying and improving the standard of efficiency of management.

i) Increased trust for the investors:

Application of Cost Audit and publication of the report of cost audit to the public will enhance the trust of the investors and help in making decisions regarding investment in any organization, because it may help the valuation of inventory of work-in-process and finished goods and other cost figures to be more accurate.

j) Adequate information regarding appropriate types and amount of materials requirement for the creditors:

The creditors, who sell goods to any organization on account, may get information regarding the appropriate types and amount of materials requirements which may be sold to the organization and they may be more confident in selling their products on account and of getting their claims from the organization.

k) Vigilance and more careful services of the Cost Accountants:

Cost Accountants, who are employees of a company, obtain a share of all benefits derived by the company from a Cost Audit and, therefore, application of cost audit makes them more careful in performing their activity.

l) Appropriate, adequate and just information and data for the financial analysts:

Application of Cost Audit would expect to provide more accurate and reliable costs and production data from where the financial analysts may perform analysis to forecast or to identify the real reasons of failure or growth or development of any industry. Cost audit will facilitate to identify the cause of idle time, cause of labor unrest, cause of high maintenance of inventories, cause of high repairs and maintenance cost, etc.



m) Harnessed economic development for the Country:

Cost Audit by Cost and Management Accountants in manufacturing organization will also benefit the country increasing the operational efficiency, reducing costs, eliminating deficiency or inefficiencies, increasing investment and ensuring the sustainable development of the enterprises. The Cost and Management Accounting Profession in India and Pakistan has already made a significant contribution in their countries' economic development by successful implementation of Cost Audit and provision of highly technical professional services.

Bangladesh Law:

One of the important classes of audit is 'Cost Audit' which is a systematic approach of examining whether the cost accounting system maintained by an organization is able to make the operations of a manufacturing most cost-effective or not. As per Companies Act 1994, Section 181 (1) (d), every company engaged in production, distribution, marketing, transportation, processing, manufacturing, milling, extraction and mining activities shall keep proper books of account with respect to such particulars relating to utilization of material, labor and other items of overhead cost. As per section 220 (1) where in the opinion of the Government, it is necessary to do in relation to any company required under clause (d) of sub-section (1) of section 181 to include in its books of accounts the particulars referred to therein the Government may, by order, direct that an audit of cost accounts of the company shall be conducted in such manner as may be specified in the order by an auditor who shall be a "Cost and Management Accountant" within the meaning of the Cost and Management Accountants Ordinance, 1977 (L III of 1977).

Who will do cost Audit?:

Cost audit is applicable for those manufacturing enterprises which are directed by the Government in this regard. According to survey result, 88.89% of the respondents opined that organizations are not applying cost audit due to lack of information that cost audit is mandatory but 93.65% of the respondents justified that Cost Audit should be applied in the manufacturing organizations in Bangladesh. Therefore, the Government and the regulatory bodies may formulate rule and regulations for its application in Bangladesh. As per Companies Act 1994, Section 220 (1) states that "Cost and management accountant", within the meaning of the Cost and Management Accountants Ordinance, 1977 (LIII of 1977), will perform the cost audit. On the other hand, the professional degree of CMA was designed in such a way as to make the cost and management accountant an expert in the relevant areas. As per our survey result, 90.48% of the respondents opined that 'ACMA/FCMA' should do the cost audit.

In Bangladesh Where is it now mandatory:

Cost Audit shall be done in Nationalized Sugar Industries and in all Public Limited Companies.

Again the Government of Bangladesh issued a Gazette Notification on December 3, 2009 introducing Cost Audit in 64 industries out of which 42 from Textile Industries, 12 from Pharmaceuticals Industries and remaining 10 from Nationalized Fertilizer Industries.

**Conclusion:**

It appears from the discussion that cost audit can provide significant benefits in terms of production efficiency, reduction of wastage, settle cost plus contracts by government, determination of proper Value Added Tax Liability (especially for manufacturing industry) and providing consumers essential products at right prices.

Despite some skepticism about the viability of cost audit, cost audit can play a significant role in the growth paradigm of manufacturing and service sector. This is because cost audit helps in optimizing the cost of production. In this competitive world, the competitive edge of a firm/industry lies in its ability to deliver the same quality products at better prices. The role of cost audit is thus getting more pronounced for firms and industries to be competitive in international trade in the WTO regime. On balance, cost audit enhances the business performance of organizations by ensuring production, marketing, sales and other aspects of a business are managed in the most cost effective way.

Therefore, Government may consider requiring services of Cost and Management Accountants mandatory in some private sector organizations (especially in Power, Steel, Cement, Engineering, Soap, Shoe, Batteries and Cellular mobile telecom service etc) as well as using the services of cost auditors in a number of public sector organizations which are considered to be inefficient and mismanaged.

28th National CA Students' Conference**“Unreasonability – The fight against mediocrity”**

The 28th National CA Students' Conference, a one day educational program organized by the Chartered Accountants Students' Society, the Student Body of the Institute of Chartered Accountants of Sri Lanka was successfully held on the 2nd of April 2014 at the Grand Ballroom, Hotel Galadari, Colombo. The Conference witnessed the participation of more than 650 CA Strategic Level students, students from SAFA countries such as India, Pakistan and Bangladesh and Students from the Institute of Chartered Accountants of England and Wales (ICAEW).

The conference was themed, “Unreasonability – the fight against mediocrity”, which emphasized the growing need of CA professionals to adapt the surrounding environment to suit their Strengths. The theme was inspired by the famous quote of George Bernard Shaw, *“The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man.”*

An eminent panel of speakers were present for this year's conference and delivering the keynote speech on the Conference theme was Mr. Rohan Pallewatta the Executive Chairman of Lanka Harness co. (Pvt) Ltd, while Mr. Asite Talwatte the Managing Partner of Ernst & Young – Sri Lanka and Maldives, Mr. Samantha Rajapaksa the Group Managing Director of Associated Motorways (Pvt) Ltd, Mr. Hasitha Premaratne, the Chief Financial Officer of Brandix Lanka Ltd, Ms. Dulani Nissanka the General Manager – Group HR and Mr. Rohan Jayaweera the Sri Lanka Country consultant of Google Asia Pacific also shed light to the panel discussion which drew attention towards the making of a 360 degree Chartered Accountant. The Panel was ably moderated by Mr. Travis Roche, the Chief Financial Officer of the Interblocks group.

Mr. Reyaz Mihular, Patron of the CA students' Society and Managing Partner of KPMG Sri Lanka, also graced the conference with a few invaluable words.

Guest speakers for the event were Mr. Mano Sekaram, CEO/ Co-founder of 99X Technology Ltd and Mr. Dananjaya Hettirarchchi – CEO of Standard and Stellar Consulting / Public Speaker. The captivating and eloquent delivery of their speeches had the audience spellbound. Mr. Mano emphasized the value of leadership

in budding Chartered Accountants whereas Mr. Dananjaya, the award winning speaker, got the audience dumbstruck with an excellent presentation on thriving for excellence.

Additionally, the conference featured a students' panel discussion which provided a platform for the students both local and foreign, to express their views on the opportunities and challenges faced by today's versatile accountant. Also featured in the conference was the grand finale of the annual CA Students' quiz competition, which was contested between SJMS Associates and Bodyline (Pvt) Ltd, in which the latter emerged as Champions. The winners of the Annual CA Students' Article Competition, which was held under two categories (i.e.: Local and SAFA) were also felicitated during the Conference.

Joining hands with the CA Students' Society as Platinum sponsors were the Asiri Group of Hospitals and Litro Gas Lanka Limited, while the Institute of Personnel Management – Sri Lanka were the event's Gold sponsor. Bronze sponsors of the event were People's Leasing & Finance PLC, Diesel & Motor Engineering PLC, Agro Harapan Lestari (Pvt) Ltd, Chartered Institute for Securities & Investment, Institute for Accounting Studies, National Development Bank PLC and the KBBS Campus. Cinnamon Air and LMD were the domestic air travel partner and print media partner for the event, respectively.

The audience was both intrigued and enthralled by the quality of the conference and the appropriateness of the topics that were been discussed. Mr. Muhammad Waqas, a foreign delegate from Pakistan had this to say about the conference. “The conference helped me realise that we need to be unreasonable at times, to make the most out of a demanding environment”. Further, Mr. Himanshu Agrawal, an Indian delegate said that he has never seen a group of youth working together so successfully to achieve the heights that was evident.

The event was organized to give an opportunity for the students following Chartered Accountancy to enrich their knowledge on contemporary topics. This also created an opportunity to share the experience, knowledge and fellowship amongst their fellow counterparts from other countries.



CA Students' Society Events

CSR Initiative

A CSR initiative was carried out at the WP/HO Kirimatiwalakada Primary School, Govinna on Friday the 29th of November 2013 amidst a gathering of the students, parents, teachers and other well wishers. This was a project aimed at spending a fun-filled day with our dear brothers and sisters of the less privileged school and donating various necessities to the students and to the institution. Thus, we take the pride in mentioning that we, as a professional students' body did not forget to fulfil our responsibility for those who are in need and contributed for a worthy cause. A few of the snap shots of the event follows.



CA Students' Sports Tournament

These are event organized for all working students to have relief from the stress of work, deadlines, exams and move into a different arena of physical endurance. The primary goal of these sports events is to bring trainees of all member firms together to nurture an environment where we interact and make friends. The sports events organized by us are cricket, football, badminton, netball, basketball, volleyball, swimming, marathon, carom and table tennis. These events were held at various locations throughout the year from July 2013 to June 2014.



The Fusion Business Magazine & CA Students' Newsletter

This year the Society will be launching its 10th edition of the Students' Business Magazine, 'Fusion' which will be circulated amongst 3,500 to 4,000 registered students of CA Sri Lanka undergoing training in Public Practice Organizations, Non Public Practice Organizations as well as the students of the South Asian region. The CA Students' Newsletter which is the official Newsletter of the Society was circulated for the first time in October 2009 amongst 32,000 students of CA Sri Lanka. The 5th edition will be released in July 2014. This year the coverage of this newsletter will be around 45,000 CA Students.

Religious & Cultural events

With the view of promoting harmony amongst the various religious communities within the student fraternity, the Society organizes various religious & cultural activities throughout the year. This includes the Wesak Bhakthi Gee Ceremony, the Ifthar Ceremony, the Nava-Rathri Ceremony and the Christmas Carol Service.



CA Students' Article Competition and Quiz Competition

This year's CA Students' Article Competition witnessed a record number of entries from both the Local and SAFA categories. This was open for all the CA students as well as for students from the SAFA countries. The objective of this was to provide an opportunity for all CA students to express and improve their writing skills. Winners were awarded at the 28th National CA students' Conference.

The quiz competition organized by the CA Students' Society attracted many teams from its' member firms and was conducted in three stages. The grand finale of the event was held during the 28th National CA Students' Conference with Bodyline (pvt) Ltd emerging as champions



Awards Night

After a year of perseverance and competition, we award and inspire all those who emerge victorious. Awards will be given not only to students who excel in examinations but also to those who excel in the CA Students' Sports Tournament. This will be followed by a night of music and dancing, fun and laughter, where we celebrate the completion of another eventful and successful year of work, exams and sports.





General Committee 2013/14

Seated from left to right

Wasana Botheju (Public Relations Secretary), Ishara De Silva (Educational Secretary), Madusanka Weligampola (Sports Secretary), Ruchira Perera (Vice President), Krystle Reid (President), Malan Anthony (General Secretary), Ravith Goonewardene (Treasurer), Fazil Buharie (Editor), Indranath Ranga (Social Secretary)

Standing 1st Row – Left to right

Premila Fernando, Uditha Priyanga, Mohamed Althaf, M. S. M. Ashaff, Dilini Samarasinghe, Namal Ronesh, Zahran Azhar, Subhash Kumara, Poorna Perera, Mohamed Zumry, Umangi Fernando

Standing 2nd Row – Left to right

Kethaka Ranaweera, Nuwan Witharana, Jayashan Grero, Chathura Gimhana, Champika Perera, Rangana Prasad, Mohamed Haseef, Mohomad Matas, Tuan Gazzali, Mohamed Saajidh

Absent

Chanaka Suresh, Prashan Muthugala, M.N.A. Shakor, T.M.M. Rimsik, M.Rahamath, Roneda Wijewardena, H.I.M. Irfan



Executive Committee 2013/14

Seated from left to right

Wasana Botheju (Public Relations Secretary), Ishara De Silva (Educational Secretary), Madusanka Weligampola (Sports Secretary), Ruchira Perera (Vice President), Krystle Reid (President), Malan Anthony (General Secretary), Ravith Goonewardene (Treasurer), Fazil Buharie (Editor), Indranath Ranga (Social Secretary)

Standing from left to right

Sasini Chathurika (Asst. Public Relations Secretary), Prashad Dissanayake (Asst. Sports Secretary), Suresh Kanna (Sub Editor), Kasun Gunawardhana (Asst. Educational Secretary), Dilani Kumari (Asst. Educational Secretary), Gayan Perera (Asst. Public Relations Secretary), Christy Dilshan (Asst. Treasurer), Afzal Nazeer (Sub Editor), Ashani Upeshika (Asst. Social Secretary), Uthul Siriwardana (Asst. Treasurer), Shiron Perera (Asst. Sports Secretary), Sajith Kanchana (Asst. Social Secretary), Nilmini Ramanayaka (Asst. General Secretary)

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