

**Amendments/  
Improvements  
to  
Executive Level  
Study Texts**

## Table of contents

1. Amendments / improvements to KE2 Study Text	3
2. Amendments / improvements to KE4 Study Text	5
3. Amendments / improvements to KE5 Study Text	16

### **Note**

This document contains the amendments/improvements to Executive Level Study Texts. Amendments/improvements are bolded and highlighted for easy references.

## 1. Amendments / improvements to KE2 Study Text

CHAPTER	PAGE NO. (AS PER ST)	EXISTING CONTENTS IN THE STUDY TEXT	AMENDED CONTENTS
7	238	<p><i>Heading No.2 in the Study Text</i></p> <p>Losses in process costing</p>	<p>Losses and <b>gains</b> in process costing</p>
10	343	<p><i>Contents under sub heading no.2.3 in the Study Text</i></p> <p><b>2.3 International Accounting Standard 2 (IAS 2)</b></p> <p>Absorption costing is recommended in financial accounting by IAS 2 Inventories, which deals with financial accounting systems. The cost accountant is (in theory) free to value inventories by whatever method seems best, but where companies integrate their financial accounting and cost accounting systems into a single system of accounting records, the valuation of closing inventories will be determined by IAS 2.</p> <p>IAS 2 states that costs of all inventories should comprise those costs which have been incurred in the normal course of business inbringing the inventories to their 'present location and condition'.</p>	<p><b>2.3 Sri Lanka Accounting Standard LKAS 2</b></p> <p>Absorption costing is recommended in financial accounting by <b>LKAS 2 Inventories</b>, which deals with financial accounting systems. The cost accountant is (in theory) free to value inventories by whatever method seems best, but where companies integrate their financial accounting and cost accounting systems into a single system of accounting records, the valuation of closing inventories will be determined by <b>LKAS 2 Inventories</b>.</p> <p><b>LKAS 2 Inventories</b> states that costs of all inventories should comprise those costs which have been incurred in the normal course of business inbringing the inventories to their 'present location and condition'.</p>

CHAPTER	PAGE NO. (AS PER ST)	LEARNING OUTCOME	LEARNING OUTCOME REFERENCES
3, 17, 18	-	LO 1.1.3- Calculate fixed and variable elements from total cost using "high-low" and "linear regression" methods"	LO 1.1.3 has covered in chapters 3, 17 and 18.

**Note**

Please consider the below representation as the formal way of stating Sri Lankan currency.

One rupee = Re. 1 (E.g. to the nearest Re.)

Rupees = Rs.

## 2. Amendments / improvements to KE4 Study Text

CHAPTER	PAGE NO. (AS PER ST)	EXISTING CONTENTS IN THE STUDY TEXT	AMENDED CONTENTS
1	6	<p><i>Second row of the table:</i></p> <p>Most businesses seek to make a profit for their owners. Non-profit organisations need to be financially sound but their main objective is not profit. Examples are government organisations and charitable organizations (charities).</p>	<p>Most businesses seek to make a profit for their owners. Non-profit organisations need to be financially sound though their main objective is not profit. Examples are <b>certain</b> government organisations (<b><u>E.g. Railway Department, Sri Lanka Transport Board, Government Hospitals &amp; Government Schools</u></b>) and <b>Charitable Organisations</b> (Charities).</p>
1	6	<p><i>Second paragraph under sub heading 1.3: Types of business organisations.</i></p> <p>A partnership is a business that is owned by two or more owners, known as partners. Each partner has a specific share in the business and they share the business profits in an agreed way. A business partnership may be based on a written legal agreement between the partners (a partnership agreement), but the business itself does not have a separate legal identity.</p>	<p>A partnership is a business that is owned by two or more owners, known as partners. Each partner has a specific share in the business and they share the business profits in an agreed way. A partnership business can be based on a <b>written, verbal or implied</b> legal agreement between the partners (a partnership agreement), but the business itself does not have a separate legal identity.</p>

CHAPTER	PAGE NO. (AS PER ST)	EXISTING CONTENTS IN THE STUDY TEXT	AMENDED CONTENTS
1	7	<p><i>Contents in the first and second paragraphs of the page:</i></p> <p>A company is a business that is owned by equity shareholders. The share of the ownership in the company of each shareholder depends on the proportion of the total number of shares that the shareholder owns. As mentioned previously, a company has a separate legal identity. It comes into existence through a registration process with a government body.</p> <p>A limited company is a company where the legal liability of the shareholders (for the activities of the company) is limited to the amount of capital that the shareholders have invested.</p>	<p>A company is <b><u>an entity</u></b> that is owned by equity shareholders. The share of the ownership in the company of each shareholder depends on the proportion of the total number of shares that the shareholder owns. As mentioned previously, a company has a separate legal identity. It comes into existence through a registration process with the <b><u>Registrar of Companies</u></b>.</p> <p><b><u>A limited liability company</u></b> is a company where the legal liability of the shareholders (for the activities of the company) is limited to the amount of capital invested by the shareholders.</p>
1	8	<p><i>First paragraph under sub heading 1.4: Government owned businesses.</i></p> <p>In many countries, the government (state) owns and operates some businesses. These are usually businesses that provide important social products or services.</p>	<p>In many countries, the government (state) owns and operates some businesses. These are usually businesses that provide important <b><u>public goods</u></b> or services.</p>
1	13	<p><i>Sixth row of the table under primary activities;</i></p> <p>Misclassification of 'Procurement (purchasing)' as a primary activity, in the table presented.</p>	<p><b>"Procurement (purchasing)"</b> should be under <b>"support activities"</b>.</p> <p>Support Activities</p> <ul style="list-style-type: none"> <li>• Procurement (Purchasing)</li> <li>• Technology Development</li> <li>• Human Resource Management</li> <li>• Firm infrastructure</li> </ul>

CHAPTER	PAGE NO. (AS PER ST)	EXISTING CONTENTS IN THE STUDY TEXT	AMENDED CONTENTS										
1	17	<p><i>Second row of the table:</i></p> <p>The category 'Environmental Regulations', is not separately identified and is taken together with 'Marketing and Sales laws and regulations'.</p>	<p>'Environmental Regulations' should be defined in a separate row as a separate item. (Presentation Issue)</p> <table border="1" data-bbox="967 450 1477 824"> <tr> <td data-bbox="967 450 1177 506">Data protection laws</td> <td data-bbox="1177 450 1477 506">Restricting the use of personal information about individuals</td> </tr> <tr> <td data-bbox="967 506 1177 584">Marketing and sales laws and regulations</td> <td data-bbox="1177 506 1477 584">To protect consumers against unfair selling practices by companies such as misrepresentation of products</td> </tr> <tr> <td data-bbox="967 584 1177 618">Environmental regulations</td> <td data-bbox="1177 584 1477 618">For pollution control or safe waste disposal</td> </tr> <tr> <td data-bbox="967 618 1177 696">Laws restricting monopolies</td> <td data-bbox="1177 618 1477 696">Laws and regulations designed to prevent exploitation restrict the activities of monopolies</td> </tr> <tr> <td data-bbox="967 696 1177 824">Tax laws</td> <td data-bbox="1177 696 1477 824">Tax laws are also a factor in the economic environment, because changes in rate of corporate taxes affect both the national economy and also the profitability of companies</td> </tr> </table>	Data protection laws	Restricting the use of personal information about individuals	Marketing and sales laws and regulations	To protect consumers against unfair selling practices by companies such as misrepresentation of products	Environmental regulations	For pollution control or safe waste disposal	Laws restricting monopolies	Laws and regulations designed to prevent exploitation restrict the activities of monopolies	Tax laws	Tax laws are also a factor in the economic environment, because changes in rate of corporate taxes affect both the national economy and also the profitability of companies
Data protection laws	Restricting the use of personal information about individuals												
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2	43	<p><i>First paragraph under sub heading 9.1: Diversification to reduce risks</i></p> <p>Risk diversification is a risk management strategy for two-way (strategic) risks. It is designed to spread risks by creating a portfolio of different investments, each with its different risks. For example, a company may decide to produce and sell a range of different products, instead of relying on sales of just one product.</p>	<p>Risk diversification is a risk management strategy for two-way (strategic) risks. It is designed to spread risks by creating a portfolio of different investments, each highlighting its different risks. For example, a company <b>may</b> decide to produce and sell a range of different products, instead of relying on sales of just one product.</p>										
3	63	<p><i>First paragraph under sub heading 9.2: Example: Manual and automated controls.</i></p> <p>An accounting system may be a manual system or a computerised system. In a manual accounting system, various controls are applied to reduce the risk of errors in the accounting records. For example, the double entry system in the general ledger provides a check on the accuracy of accounting entries: total debit balances and total credit balances/should be equal.</p>	<p>An accounting system may be a manual system or a computerised system. In a manual accounting system, various controls are applied to reduce the risk of errors in the accounting records. For example, the double entry system in the general ledger provides a check on the accuracy of accounting entries and ensures the total <b>debit</b> balances and total credit balances being equal.</p>										

CHAPTER	PAGE NO. (AS PER ST)	EXISTING CONTENTS IN THE STUDY TEXT	AMENDED CONTENTS
3	66	<p><i>Section introduction under heading 12: Governance and risk.</i></p> <p>The board of directors has the final responsibility for the effectiveness of the IC system, and in stock market companies, the board is accountable to shareholders for this.</p>	<p>The board of directors has the final responsibility for the effectiveness of the IC system, and in <b>listed companies</b>, the board is accountable to shareholders for this.</p>
4	89	<p>Second column heading is not mentioned in the table.</p>	<p>The column heading is "Objectives".</p>
4	91	<p><i>Fourth bullet point of the sub heading 6.4: Incoterms</i></p> <p>Where does property in the goods pass?</p>	<p>When <b>do rights</b> in the goods pass?</p>
5	119	<p><i>Paragraph on biometric devices.</i></p> <p>Biometric devices are devices that can identify individuals by means of a physical characteristic, such as a fingerprint or the employee's hand or eye.</p>	<p>Biometric devices are devices that can identify individuals by means of a physical characteristic, such as fingerprint or the <b>employee's palm</b> or eye.</p>
5	121	<p><i>First paragraph under heading 5.2: Bank instructions</i></p> <p>When the payroll report has been approved the payroll should prepare instructions for the bank to make the necessary payments by bank transfer.</p>	<p>When the payroll report has been approved, <b>the payroll officer</b> should prepare instructions for the bank to make the necessary payments through bank transfer.</p>



CHAPTER	PAGE NO. (AS PER ST)	EXISTING CONTENTS IN THE STUDY TEXT	AMENDED CONTENTS
5	123	<p><i>Example under heading no. 9: Payroll reconciliation</i></p> <p><i>In the third paragraph, amounts such as Rs. 600 and Rs. 480 have been used.</i></p> <p>A payroll transaction involves different accounts in the bookkeeping system. For example, if an employee earns Rs. 600 during a payroll period but only receives Rs. 480, the rest of the money will be accounted for by income tax and other deductions from gross pay. Payroll reconciliation verifies that all the accounts affected by the payroll transaction agree and total to the gross amount used in calculating the check.</p>	<p><i>The figures to be restated as Rs. 60,000 and Rs. 48,000 to align with the current realistic situations.</i></p> <p>A payroll transaction involves different accounts in bookkeeping system. For example, if an employee earns <b>Rs. 600,000</b> during a payroll period and receives only <b>Rs. 480,000</b>, rest of the money will be accounted for by income tax and other deductions from gross pay. Payroll reconciliation verifies that all the accounts affected by the payroll transaction agree and total to the gross amount used in calculating the check.</p>
6	151	<p><i>Question 3 is a multiple-option question.</i></p> <p>In a bank reconciliation, which of the following require new entries to be made in the cash book?</p>	<p>Please consider that the multiple options are allowed in this question.</p> <p>In a bank reconciliation, which of the <b>following</b> require new entries to be made in the cash book?</p>
7	169	<p><i>Fourth bullet point under sub heading 3.2: Selecting the preferred bid.</i></p> <p>The chosen bidder may already have a track record of carrying our contract work for the organisation, and there is a good relationship between the bidder and the organisation.</p>	<p>The chosen bidder may already have a track record of carrying <b>out</b> contract work for the organisation, and there is a good relationship between the bidder and the organisation.</p>

CHAPTER	PAGE NO. (AS PER ST)	EXISTING CONTENTS IN THE STUDY TEXT	AMENDED CONTENTS
7	169	<p><i>Contents under sub heading 3.3: Risk of bribery in the tender process.</i></p> <p>A risk in the tender process for a major capital spending item is that a supplier may try to win the support of a decision maker in the buying organisation by offering a bribe. Offering and accepting bribes is unethical. Unfortunately, bribery is a global problem, especially with major capital expenditure contracts. Ethics are discussed in a later chapter.</p>	<p>A risk in the tender process for a major capital spending item is that a supplier may try to win the support of a decision maker in the buying organisation by offering a bribe. Offering and accepting bribes is unethical <b><u>as well as illegal.</u></b> Unfortunately, bribery is a global problem, especially with major capital expenditure contracts. Ethics is discussed in a later chapter.</p>
9	228	<p>Last row of the 'Comment' column in the table is empty.</p>	<p>Include the comment given below; As a consequence, the risk associates are not addressed.</p>
10	250	<p><i>Refer Point (b);</i></p> <p>Professional bodies – doctors, accountants, lawyers, and so on–also have their codes of ethics. All members of a professional body are required to comply with its ethical codes. For example, members and students of the Institute of Chartered Accountants of Sri Lanka are required to comply with the CA Sri Lanka Code of Ethics for Professional Accountants. (This is based on The Code of Ethics for Professional Accountants of the IFAC Ethics Committee, published by the International Federation of Accountants (IFAC)).</p>	<p>Professional bodies – doctors, accountants, lawyers, and so on–also have their codes of ethics. All members of a professional body are required to comply with its ethical codes. For example, members and students of the Institute of Chartered Accountants of Sri Lanka are required to comply with the CA Sri Lanka Code of Ethics for Professional Accountants. (This is based on The Code of Ethics for Professional Accountants developed by the <b><u>International Ethics Standards Board for Accountants (IESBA)</u></b> and published by the International Federation of Accountants (IFAC).</p>

CHAPTER	PAGE NO. (AS PER ST)	EXISTING CONTENTS IN THE STUDY TEXT	AMENDED CONTENTS
10	266	<p><i>Point (v) of question no.2 under heading Progress Text..</i></p> <p>Respect the confidentiality of information acquired as a result of professional and business relationships and do not disclose any such information to third parties without proper or specific authority or unless there is a legal or professional right or duty to disclose.</p>	<p>Respect <b><u>the secrecy</u></b> of information acquired as a result of professional and business relationships and do not disclose any such information to third parties without proper or specific authority or unless there is a legal or professional right or duty to disclose.</p>
11	273	<p><i>Last paragraph under heading no 1: Definition of assurance engagement.</i></p> <p>The purpose of the audit is to provide the shareholders with some degree of confidence that the information in the financial statements has been produced by applying accounting standards and generally accepted accounting principles.</p>	<p>The purpose of the audit is to provide the shareholders with some degree of confidence that the information in the financial statements has been produced by applying accounting standards such as <b><u>Sri Lanka Accounting Standards (LKAS) and Sri Lanka Financial Reporting Standards (SLFRS).</u></b></p>
11	278	<p><i>Second paragraph under heading 3.4: Suitable Criteria</i></p> <p>For example, in an external audit report, the auditor may provide an opinion about whether the financial statements (the subject matter) give a true and fair view in compliance with International Financial Reporting Standards.</p>	<p>For example, in an external audit report, the auditor may provide an opinion about whether the financial statements (the subject matter) give a true and fair view in compliance with <b><u>Sri Lanka Accounting Standards (LKAS) and Sri Lanka Financial Reporting Standards (SLFRS).</u></b></p>

CHAPTER	PAGE NO. (AS PER ST)	EXISTING CONTENTS IN THE STUDY TEXT	AMENDED CONTENTS
11	282	<p><i>Second row under review engagements column of the first table.</i></p> <p>The auditor provides a limited level of assurance that the information subject to review is free of material misstatement. This is expressed in the form of negative assurance.</p>	<p>The auditor provides a limited level of assurance that the information subject to review is free of material misstatement. This is expressed in the form of <b>low level of assurance.</b></p>
12	294	<p><i>First paragraph under heading 1: Audit of financial statements</i></p> <p>This chapter examines the external annual audit of a company's financial statements. The external audit involves an investigation of a company's business, processes, internal controls and accounting records with a view of providing an opinion to the company's shareholders about whether the statements provide a true and fair view.</p>	<p>This chapter examines the external annual audit of a company's financial statements. The external audit involves an investigation of a company's business, processes, internal controls, accounting records and <b>financial statements</b> with a view of providing an opportunity to the company's shareholders to know whether <b>the financial</b> statements provide a true and fair view.</p>
12	295	<p><i>First paragraph under sub heading 1.2: Conducting an audit in accordance with SLAuS.</i></p> <p>The Sri Lanka Auditing Standards are based on the International Standards on Auditing (ISA) published by the International Auditing Practices Committee (IPAC) of the International Federation of Accountants (IFAC), with slight modifications to meet local conditions and needs.</p>	<p>The Sri Lanka Auditing Standards are based on the International Standards on Auditing (ISA) published by the <b>International Auditing and Assurance Standards Board (IAASB)</b> with slight modifications to meet local conditions and needs.</p>

CHAPTER	PAGE NO. (AS PER ST)	EXISTING CONTENTS IN THE STUDY TEXT	AMENDED CONTENTS
12	295	<p><i>Third paragraph under heading 1.2: Conducting an audit in accordance with SLAuS</i></p> <p>SLAuS 200 (objective and general principles governing an audit of financial statements) states that audits should comply with the Code of Ethics for Professional Accountants, and audits should be conducted in accordance with all auditing standards (SLAuS).</p>	<p>SLAuS 200 (objective and general principles governing an audit of financial statements) states that <b>auditors</b> should comply with the Code of Ethics for Professional Accountants, and audits should be conducted in accordance with all auditing standards (SLAuS).</p>
12	297, 298,301	<p>The term: 'professional scepticism'</p>	<p>Replace the term 'professional scepticism' as '<b>professional skepticism</b>'.</p>
12	306	<p><i>First paragraph under heading 8: Substantive Procedures.</i></p> <p>The auditor should always carry out substantive procedures on material items. The ISA says that irrespective of the assessed risk of material misstatement, the auditor should design and perform substantive procedures for each material class of transactions, account balance and disclosure.</p>	<p>The auditor should always carry out substantive procedures on material items. The <b>SLAuS</b> says that irrespective of the assessed risk of material misstatement, the auditor should design and perform substantive procedures for each material class of transactions, account balance and disclosure.</p>

CHAPTER	PAGE NO. (AS PER ST)	EXISTING CONTENTS IN THE STUDY TEXT	AMENDED CONTENTS
12	308	<p><i>First, second and fifth Bullet points under point (3): Presentation and disclosure:</i></p> <p>Occurrence: the transactions have occurred</p> <p>Rights and obligations: the transactions relates to the entity</p> <p>Accuracy and valuation: financial and other information is disclosed fairly and at appropriate amounts.</p>	<p>Occurrence: the <b>disclosed</b> transactions have occurred</p> <p>Rights and obligations: the <b>disclosed</b> balances relate entity</p> <p>Accuracy and valuation: financial and other information is disclosed <b>properly</b> and at appropriate amounts.</p>
12	308	<p><i>Contents under "Occurrence" in the table.</i></p> <p>Occurrence: Occurrence is the assertion that disclosed transactions included in the financial statements did actually occur during the financial period. There is no overstatement of any of the transaction values: for example, sales revenues have not been overstated.</p>	<p>Occurrence: Occurrence is the assertion that disclosed transactions included in the financial statements did actually occur during the financial period. There is no overstatement of any of the transaction values due <b>to bogus transactions:</b> for example, sales revenues have not been over-stated <b>by fictitious sales (sales that had not been occurred).</b></p>

CHAPTER	PAGE NO. (AS PER ST)	EXISTING CONTENTS IN THE STUDY TEXT	AMENDED CONTENTS
12	309	<p><i>Contents under "Existence" in the table.</i></p> <p>Existence: The directors make an assertion in the financial statements that assets, liabilities and equity reported in the statement of financial position did exist at the end of the reporting period. None of these items has been over-stated: for example, the statement of financial position does not include assets that do not exist.</p>	<p>Existence: The directors make an assertion in the financial statements that assets, liabilities and equity reported in the statement of financial position did exist at the end of the reporting period. None of these items has been over-stated by <b><u>recording fictitious assets (assets that do not exist)</u></b>.</p>
12	311	<p><i>Contents under "Re-calculation" in the table.</i></p> <p>This consists of checking the mathematical accuracy of documents or records and can be performed through the use of IT.</p>	<p>This consists of checking the mathematical accuracy of documents or records and can be performed through the use of <b><u>Computer Assisted Audit Techniques (CAATs)</u></b>.</p>

### 3. Amendments / improvements to KE5 Study Text

CHAPTER	PAGE NO. (AS PER ST)	EXISTING CONTENTS IN THE STUDY TEXT	AMENDED CONTENTS
3	60	<p><i>First paragraph under sub heading 1.4.6: Value stream managers</i></p> <p>It starts externally with suppliers, links them to the internal functions of R &amp; D, design, production, marketing, distribution and customer service and ends externally with suppliers.</p>	<p>It starts externally with suppliers, links them to the internal functions of R &amp; D, design, production, marketing, distribution and customer service and ends externally with <b>customers</b>.</p>

CHAPTER	PAGE NO. (AS PER ST)	LEARNING OUTCOME	LEARNING OUTCOME REFERENCES
5, 7, 9 & 10		LO 3.1.1-Discuss the organisational environment (including internal, task and general, direct and indirect action, micro and macro environment)	LO 3.1.1 has covered in chapters 5, 7, 9 and 10.