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**Innovation
is more fun
when you
collaborate
on it: Greg
Bernada**

P.28

Quality always wins:

**OLIVIA
KIRTLEY**

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President of the International Federation of Accountants (IFAC) Ms. Olivia Kirtley and Chief Financial Officer Mr. Russell Guthrie were given a grand welcome at CA Sri Lanka on Sunday evening (26 July 2015) when they visited the institute for a reception dinner hosted by CA Sri Lanka in honour of Ms. Kirtley.

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Intelligence & Insight from CA Sri Lanka

Regulatory consistency and accounting standards

The International Federation of Accountants (IFAC) is focusing on two priorities - setting up and facilitating the adoption of global accounting standards, and helping to harmonize the regulatory environment across the world. The fact that the IFAC leads global accounting standards setting is common knowledge and the process it follows in establishing these standards is well known.

Its second function is far more challenging and a role over which it has no moral authority as it does over creating accounting standards. IFAC's President Olivia Kirtley, who was in Sri Lanka recently, explained that the IFAC serves as the global voice on things that are important to the world, where accountants have particular knowledge and expertise, with organisations such as the G20. The IFAC identifies issues where it can be particularly impactful and effective such as government accounting and transparency - it has an initiative called "Accountability Now", and has been speaking out from two perspectives: regarding the government's responsibility to have good accounting, where they account for everything and are transparent; and about the need to have qualified accountants who can identify, prepare and participate in how that information is used. This ties in with the consistency of regulation, which ensures that rules and regulations put in place are in the best interest of quality.

Kirtley explains that the IFAC's strategic plan to meet this challenge is to promote the strength of the standard-setting model and to ensure that all stakeholders understand its value. Its greatest strengths are independence from undue influence, not only from the profession but regulators, governments and other stakeholders, and the robust due process that it goes through in maintaining that independence. One of the most important values that the IFAC brings to the global profession is to be that central point, ensuring the strength of the model and its credibility with regulators, governments and the investment community around the world.



Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is one of the largest professional organizations in Sri Lanka in which 5,400 chartered accountants have obtained membership. The Institute provides insight and leadership to the accountancy and finance profession in Sri Lanka as well as globally.

Our well qualified members are trained to provide financial knowledge and guidance based on the highest professional, technical and ethical standards, thereby assisting communities and organizations gain long-term sustainable economic growth.

CONTRIBUTORS

Avanti Samarasekera
Devan Daniel
Isankya Kodithuwakku
Shamindra Kulamannage
Vinod Moonesinghe

DESIGN & LAYOUT

Indika Sriyan Gammudali

PHOTOGRAPHY

Saaliya Thilakarathna
Shafraz Farook

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

CA SRI LANKA

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

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Blue Ocean Group of Companies

An Eminent Property Developer with Sri Lanka's Most Dynamic and Investment Destinations



S. Thumilan
Group Chairman & Chartered Accountant
ACA, ACCA, ACMA(UK), CGMA, CPA(Aus), MCSJ(UK),
FMAAT(SL), ACS

The trend of condominium development in Sri Lanka's property market has been given a boost by Blue Ocean Group of Companies one of Sri Lanka's largest and most respected conglomerates, headed by Chairman Mr. Thumilan, with some unique Investment Property, Holiday Home and Luxury Living concepts.

The Group's Chairman S. Thumilan, who owns an illustrious portfolio himself, is instrumental to the Group's extensive diversification that include Education, Engineering and Construction, Real estate, corporate Consultancy, Trading, Electrical and Engineering Consultancy. "To be the most respected, ethically sound and socially responsible company," has been the base of conglomerate's many endeavours, explains S. Thumilan. Embracing the "Blue Ocean Strategy" that helped achieve generation of growth and profit through innovation, in a created and uncontested environment, the Group engages in its key markets in Asia Pacific, European, Middle East and East Asian regions. Covering all aspects of construction, its services encompass an umbrella solution to contractors and customers. The company offer both construction and consulting including for the construction of private houses.

Some recent analysts of the real estate market have predicted a downturn in the housing and condo market in the country, which does not appear to be so, for the fundamental reason that they do not take into account the target groups for which these properties are being constructed. By using a 'one-size-fits-all approach', the analysts misinform readers and skew the reality of the state of affairs in the property market today.

It is important to recognize that more than 70% buyers of condominiums in Colombo are expatriate Sri Lankans, who would like to own a property they could call their own back home. The

Central Bank, the Board of Investment Sri Lanka and relevant ministry officials are striving to provide support and encouragement to developers to inject high standards and raise the profile of the housing market in the country.

Any Sri Lankan, whether residing in the island or abroad is familiar with the resilience the country has shown time and again despite political and economic turmoil. If anything, it is the property market that has effective "shock absorbers" to act as a hedge against inflation and other economic concerns.

Despite the ethnic conflict that has dogged the island for several decades in the past resulting in economic ups and downs, the prices in the city's apartment market have appreciated steadily over the past several years and proved to be a lucrative investment.

Of course the reliability of the developer is a key factor that determines the success of the project. The developers credentials and past track records are of paramount importance and needs to be given due attention prior to making investments in the real estate market. Aside from the Group has branched out extensively with a number of subsidiaries. To name a few of its vast portfolio; The Group's fully owned subsidiary Link Engineering (Pvt) Limited, which has gained great reputation locally and internationally, has already cemented the position of the Blue Ocean Group in construction as its leader. It has over 35 years of experience of the construction field through which it has gained many accolades for the excellence.

Blue Ocean Group is an expert at quality constructions and their every project is BOI (Board of Investment, Sri Lanka) certified. All apartments that Blue Ocean has constructed are monitored and governed by ISO 9001-2008 quality systems and they are in most prestigious locations in Sri Lanka. Their assets grew in the past few years recording a turnover of more than billions. The company now engages in building private and public mixed project-portfolio which smoothens and stabilizes their financial flow and profitability. With this growth, they will further strengthen their position and will approach high revenue projects thereby assuring their brand an enviable position not only in Sri Lanka but in the international market as well.

One of the Company invaluable assets is human resource: Chartered Architects, Chartered Engineers, Chartered Accountants, Interior Designers and other professionals in varied fields who have garnered extensive exposure and industry experience locally and abroad over the years. "In comparison with present market standards, our professionals are highly capable of contributing to improving real estate value" stressed Thumilan. Clients are further attracted by the sheer volume of work undertaken and delivered within a scheduled time-frame by the company. Due to its unconventional expert consultation services on property management, development schemes, real estate investment options and other related aspects, Blue Ocean Group has gradually gained prominence in both local and international arenas.

By investing in unique development projects being constructed by reputed entities such as Blue Ocean Group of Companies, the investor is guaranteed timely delivery, international quality homes, and a definite appreciation in property even before he has taken possession of the condominium. Statistics indicate that buyers of Blue Ocean apartment projects have reported a 25-30% increase in value annually. Further, at present the secondary market for apartments in particular are said to be having brisk sales reselling at more than 100% the original purchase price 3 - 4 years ago.

Considering the official 32% increase in construction costs per annum the world over, buyers who put off investing in a home in Sri Lanka because of a variety of eco-political reasons find themselves completely out priced by the market years down the line. The reality is that building homes is never going to get cheaper, even if the economy starts skyrocketing upwards. Not to mention the fact that land prices too have gone through the roof in residential areas in Colombo. More and more wise investors realize that buying a ready condominium in a premier residential area is much cheaper than just buying land in that vicinity, leave alone factoring in the cost of constructing a home. Rents have also been registering growth of 18% year on year, which is another encouraging factor that affects the buyer's decision to invest in a high profile development in an excellent location, as it guarantees a return on investment.

Moreover, unique projects such as those developed by Blue Ocean Group of Companies offer not just a home but a "lifestyle" - with an array of sports and recreation facilities and other utilities and conveniences at their fingertips, all within the confines of the condominium complex itself! In the race to simplify our lives, cut down commuting time to and from work/school and spend more time with loved ones, a conveniently located condominium offering recreation and comfort seems like an opportunity too good to be missed. Blue Ocean's projects offer hi-tech security equipment and trained security personnel to guarantee safety for its residents, another feature that is much appreciated by investors. It is after all a buyers' market and buyers are savvy when it comes to recognizing which project will prove lucrative.

The booming property market, Thumilan notes, "Of which owners now experience higher appreciation, is due to the Government's timely vision targeting the economic growth. It in turn increased the demand for the property," he stressed. Low lending rates, low cost loans for property buyers, high increase in the number of long-stay tourists have greatly contributed to ascending the demand for property, particularly for apartments. "We are very happy that we were able to create wealth for our customers through property. While enhancing rental income as well

For Contacts:

Hotlines - +94 777 546 546 / +94 112 722 217
or Visit - www.blueocean.lk / www.link.lk



S. Thumilan (Group Chairman)
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Expected Completion - 6|16
- No.22, Boswell Place, Wellawatte Colombo 6
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- No.502, Havelock Road Colombo 05
10 Storey with 20 Units
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- No.06, 19th Lane, Kollupitiya Colombo 03
12 Storey with 28 Units
Expected Completion - 8|17

Upcoming Projects

- No.08, Jayasinghe Road, Colombo 05
Commencement on Sep. 2015
- No.25, Frankfurt Place, Colombo 04
Commencement on Sep. 2015

Our Affiliations & Accreditations



Head Office
No. 32, 1st & 2nd Floor,
Galle Road, Dehiwala,
Sri Lanka
+94 112 722 217

Branch - United Kingdom
#11 Meadow Close,
Bexleyheath, Kent, DA6 7HB,
United Kingdom
+44 79 6096 9684

Branch - Dubai, UAE
Office 1403, Al Manara Tower
Burj Khalifa District,
Business Bay, Dubai
+971 505 884 269

Branch - Australia
#32, Brolin Terrace,
Cranbourne North
VIC. 3977, Australia
+61 431 743 577

Workshop - Sri Lanka
No.105, St. Peter's Road,
Koralawella,
Moratuwa, Sri Lanka
+94 777 729 555

A word from the President

More regulations won't narrow the expectations gap



Arjuna Herath
President - CA Sri Lanka

My message in the last edition of the journal was about the earnest need to bridge the expectations gap between society, policymakers and the accountancy profession. Ignoring this expectations gap will erode the profession's credibility in the eyes of policymakers and the society, and the market and economy will feel the negative effects of this. This expectations gap seems to be creating pressure for more regulations to be introduced.

While I fully agree the expectations gap has to be bridged, I am not sure whether the answer to this is more regulations. Increased regulations can undermine core objectives of the profession's work, and stifle business development and growth in the corporate sector.

The Global Regulation Survey recently carried out by the International Federation of Accountants (IFAC) shows that regulation has become immensely complex and is impairing organisations' opportunities to grow and innovate. In fact, an overwhelming two-thirds of respondents to this survey said regulation is having a significant or very significant impact on their organisations' opportunities to grow and innovate. Approximately four in five respondents reported that the regulation impacting their organisations is complex or very complex; that it has become more or much more significant over the past five years, and that it has had a substantial impact on their organisa-

tions' cost of doing business. There is no doubt that good regulation can ensure fairness, efficiency and transparency in any economy. Making it work is a never-ending mission. At the same time, economic growth is a challenge globally as it is in Sri Lanka. These two, regulation and economic growth, impact each other and this is a wake-up call for us to examine the impact of regulation, including those proposed reforms in Sri Lanka.

Urgent questions surrounding regulation's impact on growth and innovation, as well as how its complexity is affecting the agility needed to face emerging risks, must be addressed.

It is also important to note the market will always be ahead of regulations and the response to that shouldn't be rigid regulation, but to create greater awareness and spread knowledge among affected stakeholders. It is also important to have principles-based responsibility on businesses and business leaders.

Ross Levine of the Bank of International Settlements said, in relation to governance of financial regulations, that there is a danger that past misdeeds will result or has resulted in excessive politicization of regulatory issues in a quest to ensure that someone is seen to be responsible for those misdeeds. This is true in the local context as well. While those responsible for misdeeds should be brought to justice, we must not politicize regulatory issues. Conflicting regulations

with political biases will create new issues.

CA Sri Lanka is committed to continue the initiatives taken so far to collaborate with policymakers, regulators and organizations to examine these questions and probe any impacts as a priority, with the intention of identifying appropriate and mutually acceptable solutions. In this endeavour, it is important for policymakers and regulators to be open-minded and innovative in finding solutions to existing issues and to those that may arise, in consultation with concerned parties, so that markets and the economy will not suffer. It is also pertinent to reevaluate the capacity and skills of the regulators to monitor and enforce regulations, so that each of the regulators is able to be effective to ensure that the market as a whole is better governed.

As it stands today, it appears the lack of monitoring and enforcement as opposed to inadequate regulations is one of the main causes for market woes. The other reason is the expectations gap I addressed above. Therefore, it is critical that regulators are strengthened with resources and required skills, and that they collaborate with each other effectively to tightly monitor and enforce the rules so that existing regulations are effective in all fronts.

As a regulatory body, CA Sri Lanka is committed to play its role and to assist, co-operate and collaborate with all market regulators to achieve the desired state, and

build the required confidence and trust with a view to reconcile the expectations gap. We have taken a few significant steps in this direction, which includes the introduction of an Audit Quality Monitoring and Review Programme, review of the existing Best Practice Corporate Governance Code, introduction of a Corporate Directors Programme to train and accredit directors for sound corporate governance, and implementation guidelines for Integrated Reporting. We have also reviewed our Ethics Code to bring about more accountability and transparency in the work of our members, review of the Auditors Report with a view to talk about significant matters relating to audit in the face of the Audit Report, besides introducing new accounting standards for smaller enterprises to facilitate the preparation of accurate financial statements by small and micro enterprises, and many other initiatives to educate, build capacity and skills, and create market awareness.

We trust the continuing dialogue we have established with the regulatory bodies will result in an upgrade of responsibilities and, in turn, improve their resources and capacities, which will enable Sri Lanka to become the most conducive place to conduct business and, if not eliminate, minimize the expectations gap.

“ Urgent questions surrounding regulation’s impact on growth and innovation, as well as how its complexity is affecting the agility needed to face emerging risks, must be addressed... It is also pertinent to reevaluate the capacity and skills of the regulators to monitor and enforce regulations, so that each of the regulators is able to be effective to ensure that the market as a whole is better governed.”

Periscope

S&P affirms Sri Lanka rating

Sri Lanka's economy is expected to grow slightly below 6% during the next few years amid concerns of weaknesses in fiscal management, external liquidity and institutional capacity, Standard and Poor's said. In August, Standard & Poor's Ratings Services affirmed its 'B+' long-term and 'B' short-term sovereign credit ratings on the Democratic Socialist Republic of Sri Lanka. The outlook remains stable. The transfer and convertibility risk assessment on Sri Lanka was unchanged at 'B+'.

The rating reflects the country's relatively low wealth, improving but still moderately weak external liquidity, and high government debt and interest burden. "Uncertainty over the government's commitment to reforms after the August 17 parliamentary elections and gaps in institutional capacity pose risks to Sri Lanka's institutional and governance effectiveness, which we consider to be a credit weakness," the rating agency said.

"These rating constraints weigh against what we consider to be robust growth prospects, which are above average for sovereigns at similar levels of development". Standard & Poor's projects Sri Lanka's external liquidity [measured by gross external financing needs as a percentage of current account receipts (CAR) plus usable reserves] will average 101% over 2015-2018, with an improving trend.

"We also forecast the country's external debt (net of official reserves and financial sector external assets) at

about 109% of CAR this year. In our view, external net debt stock measure will gradually decline to below 100% by 2018.

"The risks associated with the country's moderately weak external settings are mitigated by growing reserve buffers that improve Sri Lanka's external resilience.

We expect Sri Lanka's gross international reserves (US\$7.5 billion at June 2015) to remain at more than four months' coverage of current account payments during 2016-2018. We expect growth in foreign currency reserves to outpace the expansion of current account payments, given increasing remittances by overseas Sri Lankans and the country's rising earnings from tourism".

Other factors that mitigate external risks include its low banking sector external borrowings, adequate market access and pricing, some exchange rate flexibility, and a contingent currency-swap facility of US\$1.1 billion with the Reserve Bank of India. That facility supplements the US\$400 million available under the financing facility for the South Asian Association for Regional Cooperation member country Central Banks.

Retrospective taxes also violate the rule of law. While ignorance of the law is not an excuse, no man can be subject to a rule that did not exist in the first place.

Gross external financing needs as a percentage of current account receipts (CAR) plus usable reserves will average

101%
over 2015-2018

Annual growth in general government debt to average 6.1% of GDP over 2015-2018, compared with

7.6%
over 2010-2014

Net general government debt to fall to 66% of GDP by year-end 2018 from

70%
in 2013

After completion of the International Monetary Fund's Standby Loan Programme in July 2012, Sri Lanka agreed with the IMF for 'Post-Programme Monitoring'. "We expect the country to continue to secure new external liquidity support from the IMF or bilateral sources, if needed". Fundamental weaknesses remain in the government's fiscal metrics despite continuing improvements over the past five years.

"We project annual growth in general government debt to average 6.1% of GDP over 2015-2018, compared with 7.6% over 2010-2014. In view of Sri Lanka's robust nominal GDP growth and some fiscal

consolidation, we expect net general government debt to fall to 66% of GDP by year-end 2018 from 70% in 2013," Standard & Poor's noted.

However, the rate of decline could slow if the new government departs from the current fiscal consolidation path, efforts to improve revenue disappoint, or if the rupee depreciates further against major currencies (as 61% of government debt was denominated in foreign currencies as of May 2015).

Standard & Poor's expects low progress in reducing debt-servicing costs, which accounted for 37% of government revenue in 2014. This is the second-highest ratio among all 129 sovereigns that Standard & Poor's rates, second only to Lebanon. The growth outlook continues to be underpinned by government investment (including rebuilding the war-torn northern districts), rising tourist arrivals, garment sector activity (typically the production of high-quality knits and woven apparels) and declining inflation, which is expected to remain in single digits.

"The gaps we observe in Sri Lanka's policymaking capacity partly reflect the political uncertainty associated with two election cycles within seven months. We believe this hinders responsiveness and predictability in policymaking, and weighs particularly on business confidence, investment plans and overall growth prospects".

The rating agency believes the Central Bank of Sri Lanka's (CBSL) ability to sustain economic growth while attenuating economic

or financial shocks has improved somewhat.

“Although the CBSL is not independent of other policymaking institutions, and we continue to consider monetary policy credibility and effectiveness as a weakness, the central bank is building a record of credibility, shown in reducing inflation through the use of market-based instruments to conduct monetary policy”. “We continue to expect Sri Lanka’s growth prospects to be favourable. We believe the country will most likely maintain growth in real per capita GDP of 5.4% per year over 2015-2018 (6% real GDP growth). Stronger growth may be possible if the business environment improves after the August election, European export markets pick up, the government addresses shortfalls in labour skills and net foreign direct investment rises above its current pace of about 1% of GDP.

“Combining our view of Sri Lanka’s state-owned enterprises and its financial system, we view the country’s contingent fiscal risks as limited, as defined in our criteria.”

“The stable outlook reflects our expectation that Sri Lanka’s credit metrics will remain broadly unchanged over the next 12 months. We may raise the rating if Sri Lanka’s external and fiscal indicators improve faster than we project, or if we believe the strength of Sri Lanka’s institutions and governance practices are on a significant and sustained improving trend.

“Conversely, we may lower the rating if the country’s external liquidity deteriorates or if Sri Lanka’s growth and fiscal consolidation prospects worsen significantly,” Standard & Poor’s said. ■

NEW GDP DATA SHOWS A BIGGER SERVICES ROLE

The size of Sri Lanka’s economy was estimated at Rs2.7 trillion in the first quarter of 2015, under a new method of calculating gross domestic product, which also shows how it has diversified, with a bigger contribution from services.

The census and statistics department said the rebased national accounts estimates, which takes 2010 as the base year (against 2002 used earlier), shows the economy 5% bigger than under the previous calculation. The new data series captures several economic activities not counted under the earlier method and shows that the level of annual GDP is significantly higher than under the old series with the size of the economy 14.4% bigger in the 2010 base year.

The structural composition of the economy has changed after the rebasing due to the revision of the reference year and other improvements made to the system in the rebasing process, the statistics department said.

“The most significant implication is the reduction of the contribution of agricultural activities to total GDP from 2010.”

The contribution of agricultural and industrial activities decreased to 7.8% and 28.7%, respectively, under the new data series at current prices for the first quarter of 2015, compared with 13.3% and 32.6% under the old series.

The contribution of services activities increased to 56.5% in the new series from 54.1% in the old series, representing the trend towards a services-dominated economy. The contribution to the GDP growth rate has also changed.

Under the old series agricultural, industrial and services activities made contributions of 1.3%, 33.3% and 65.4%, respectively, to the overall growth rate of 6.4%.

But in the new series, industrial activities contributed negatively to the

Contribution to GDP

Sector	Old Series	New Series
Agriculture	13.3%	7.8%
Industry	32.6%	28.7%
Services	54.1%	56.5%

overall growth rate in the first quarter of 2015.

“GDP and economic growth in the new series theoretically represent the real size and real rate of movement in the Sri Lankan economy,” the census and statistics department said.

Agricultural activities in the new data series included “plant propagation” and “agricultural supporting activities”, which were not covered earlier.

“Dissemination categories are decided by considering the production pattern and the importance of each crop in the Sri Lankan economy.”

The manufacturing industry is identified in the most disaggregated level so that user convenience is enhanced, the department said. New data include sewerage and waste collection, which were completely ignored in the old series. Financial activities are classified into two main activities namely, “financial services except insurance and pension funding and auxiliary activities” and “insurance and pension funding activities”.

In the old series, all banking, insurance and real estate activities were grouped in one single activity.

In the new series, real estate is classified as a separate activity and not regarded as a financial activity.

“Health and education services gross output and gross value added are calculated and disseminated separately, as these are crucial in the Sri Lankan economy.” ■

(EconomyNext)

Periscope

Fitch affirms seven finance companies

Fitch Ratings has affirmed the ratings of People's Leasing & Finance PLC (PLC), Central Finance Company PLC (CF), Melsta Regal Finance Ltd (MRF), Siyapatha Finance PLC (Siyapatha), Senkadagala Finance PLC (Senka), AMW Capital Leasing And Finance PLC (AMCL) and Singer Finance PLC (SFL).

PLC's Issuer Default Rating (IDR) and National Long-Term Rating (AA-) reflect Fitch's view that PLC's parent, the state-owned and systemically important People's Bank [PB; AA+(lka)/Stable], has a high propensity but limited ability to provide extraordinary support to PLC if required. PB's high propensity to provide support to PLC stems from its 75% shareholding in PLC and a common brand. In addition, PLC accounted for 12.6% of PB's loan book and 24.4% of PB's consolidated post-tax profit at end-2014. PLC has 108 window offices within branches of PB.

PB's limited ability to provide support to PLC is evident from its own 'AA+(lka)' rating, which is driven by the government of Sri Lanka's (BB-/Stable) high propensity but moderate ability to provide support to the bank under extraordinary situations.

The two-notch differential between the National Long-Term Ratings of PLC and PB reflects Fitch's view that timely support from the state may be constrained by regulatory restrictions between the entities (such as maximum exposure limits) or administrative delays usually seen in layered support structures.

PLC is the largest non-bank financial institution (NBFi) in Sri Lanka in terms of assets, with a 12.6% share of sector assets at March 2015.

AMCL's BBB+ rating reflects Fitch's view that support would be forthcoming from Associated Motorways Private Limited

(AMW), which owns 90% of AMCL, given the finance company's strategic importance to the parent. This is based on AMCL's role in the group, given strong synergies and operational integration. While its share of financing of AMW's vehicle sales has remained moderate, AMCL accounted for a substantial share of group profit and assets at end-2014. About 46% of its advances comprised vehicle finance facilities provided to its parent's clients at end-2014. Fitch believes that additional incentives for AMW to provide support to AMCL stem from the common AMW brand, which could have high reputational impact on AMW should AMCL default. In addition, AMCL's funding relies on the parent, which provided 48% of AMCL's borrowings at end-March 2015.

SFL is rated at BBB, two notches below its parent, retailing company Singer (Sri Lanka) PLC (Singer; A-(lka)/Stable). This reflects Singer's majority ownership in SFL, the common Singer brand and Singer's influence on SFL's strategic direction through representation on the finance company's board. The two-notch differential also reflects SFL's limited role in the group; SFL finances a low proportion of Singer's sales (2010-2014: an average of 8% of Singer's sales). Fitch expects SFL's contribution to Singer's sales to remain low over the medium term.

Although not planned, the disposal of SFL would not materially alter the group's operations or earnings as the parent's sales growth is supported by the presence of a well-managed, in-house hire purchase portfolio. SFL contributed an average 16% to group EBIT over 2011-2014.

SFL's rating also reflects its standalone credit profile, which Fitch has assessed to be at the same rating level. SFL's National Long-Term Rating reflects higher

capitalisation levels compared with its peers amid modest loan growth and improved asset-quality metrics.

Siyapatha's A- rating reflects Fitch's view that support would be forthcoming from its parent, Sampath Bank PLC (SB; A+(lka)/Stable), which owns 100% of Siyapatha, and involvement in the strategic direction of Siyapatha through board representation.

PLC is the largest non-bank financial institution (NBFi) in Sri Lanka in terms of assets, with a 12.6% share of sector assets at March 2015

Siyapatha is rated two notches below its parent because of Siyapatha's limited role in the group's core business. SB's leasing book accounted for just 4% of group advances at end-2014, of which Siyapatha provided 29%. Since its conversion to a licensed finance company, Siyapatha ceased to share a common brand with its parent, while branches situated within SB's premises have also decreased. Siyapatha's contribution to group profit remains low, averaging 5% of group profit over 2012-2014. Fitch does not view a potential disposal of Siyapatha, which is not being planned, as being material to the group.

MRF's A+ rating reflects

Fitch's expectation of support from its ultimate parent, Distilleries Company of Sri Lanka (DIST; AAA(lka)/Stable). DIST has full effective ownership of MRF through Melstacorp Limited, the investment holding company for DIST's non-beverage assets. DIST's ability to support the entity is based on its market leadership in alcoholic beverage production in Sri Lanka, a highly profitable sector characterised by relatively stable demand through economic cycles and high entry barriers.

MRF is rated four notches lower than DIST due to MRF's insignificant role in the group. MRF has limited synergies with the group's core business, a low level of operational integration, and a lack of a common brand with the group. MRF accounted for just 1.3% of group revenue, 1.2% of consolidated net profit and 5.3% of group assets in the financial year ended March 2015. Although not planned, the disposal of MRF would not materially alter the group's operations or earnings.

CF's A+ rating continues to be supported by its strong capitalisation, which stems from robust profitability and high profit retention, and a better funding profile than its peers due to a higher proportion of deposits that are sourced from its established franchise. However, these strengths are counterbalanced by weakening asset quality and lower provisioning levels compared to peers. CF's outlook has been maintained at Stable on Fitch's expectation of a sustained improvement in asset quality.

Senka's BBB+ rating reflects its satisfactory credit profile through economic cycles, strong franchise and access to long-term institutional funding. SFC's asset quality remains weak due to its inability to dispose of repossessed vehicles in a timely manner. ■

New report pinpoints top factors driving the audit profession

Rapidly increasing amounts of data and the technology capable of analyzing it are the driving forces in audit, according to a newly released survey by Forbes Insights and Big Four firm KPMG LLP.

But the audit profession needs to grow beyond specific technology tools or analytical methods, survey respondents indicated. It's critical thinking and the interpretation of the information the technology provides that will increase auditors' value, a news report on the IFAC website says.

Here are six key findings from the survey of 151 financial executives, audit committee chairs and members, academics, audit associates, and accounting students.

Most of the respondents (93%) say audit must evolve. A third believe auditors



should go beyond numbers, and 59% say the auditors' role should stay the same but their performance should evolve.

The biggest challenges to audit enhancement are culture (66%) and the regulatory environment (59%). The two are linked by intense regulation that fosters a structured, process-oriented working environment. That, in turn,

creates resistance to change.

Auditors of the future will have to be more proactive. Half of the respondents indicated that this would provide more insights, almost half said it would increase quality and 41% said value would be enhanced.

More than half of young auditors and students believe the most important way for audit to evolve is through

heightened professional status. In fact, audit should be more than a job, and career tracks should be made more rewarding.

Technology has the biggest impact on audit, according to 58% of respondents. Most young auditors considered technology's biggest benefit to be the tools it provides for sophisticated analysis. Of all survey respondents, 59% say the biggest benefit is efficiency.

Respondents equally weighed three top skills for auditors: experience in the client's industry, investigative financial skills and critical thinking. Adaptability is the foundation for those skill sets. ■

(IFAC/Accounting Web)

IAASB presents proposal for reporting on summary financial statements

In August, The International Auditing and Assurance Standards Board (IAASB) released an Exposure Draft proposing changes to the International Standard on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

ISA 810 deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with ISAs by that same auditor. The IAASB is proposing limited conforming amendments to ISA 810 as a result of the issuance of its new and revised Auditor Reporting Standards, which address auditor reporting on



general purpose financial statements, the auditing body said in a statement.

"In light of its overall efforts to enhance auditor reporting, the

IAASB believes it is also in the public's interest to provide users of summary financial statements with greater transparency in circumstances when additional information, such as key audit matters, are communicated in the related auditor's report on the audited financial statements," explained Prof. Arnold Schilder, IAASB Chairman. "The proposed changes to ISA 810 represent a balanced approach considering the objective of an engagement to report on summary financial statements and the report that is required to be issued."

"The board's approach also recognizes that the manner in which summary financial

statements are prepared and presented may vary on national basis depending on the criteria used, and therefore national auditing standard setters may further tailor ISA 810 in their jurisdictions," noted Kathleen Healy, IAASB Technical Director. "The board is, therefore, particularly interested in hearing from stakeholders in those jurisdictions where ISA 810 reports are frequently issued to understand whether its proposed changes will be capable of being implemented and would be expected to benefit users of these reports."

The IAASB issued its proposals with a 90-day comment period. ■

Periscope

British Virgin Islands upgraded for tax compliance



The British Virgin Islands had the highest rate of tax compliance out of 12 countries reviewed by the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes.

The forum, which has 127 member nations, implements internationally agreed transparency standards and the exchange of tax information. It carries out in-depth peer reviews to check that members are complying with standards.

According to a report by Public Finance International, these peer reviews take place in two phases: Phase 1 reviews the legal and regulatory framework for transparency and the exchange of information for tax purposes, while Phase 2 looks at the implementation of the standards in practice.

Twelve reviews (both Phase 1 and Phase 2) were published recently for countries including Pakistan, Albania and Austria as well as the British Virgin Islands.

The islands had initially been assessed as "non-compliant" but have been subsequently upgraded to "largely compliant". Peer assessors found that the quality

of responses to Exchange of Information requests had improved, although timeliness had declined. Austria was upgraded from "partially compliant" to "largely compliant" because it introduced incentives and sanctions to ensure that the identity of all holders of shares in unlisted joint-stock companies would be known.

Lithuania and Sint Maarten, were given "compliant" and "partially compliant" ratings, respectively, due to their work on improving Exchange of Information practices.

Albania, Burkina Faso, Cameroon, Dominican Republic, Lesotho, Pakistan and Uganda - countries that recently joined the global forum - were found to have legal frameworks in place to enable them to move to Phase 2 of the review process, which will assess Exchange of Information practices. The Marshall Islands, which in 2012 was blocked from moving to Phase 2 of the rating process because of major gaps, asked for extra recommendations to amend the legal framework governing the availability of accounting records. ■

The UK launches International Corruption Unit

The UK launched a specialist unit, backed with funding worth £21 million, to investigate cases of international corruption across the developing world, Public Finance International reported. The Department for International Development's International Corruption Unit (ICU) would draw on the success of anti-corruption work undertaken by other UK investigative and intelligence units, including London's Metropolitan Police Service and the National Crime Agency. ICU will probe bribery and money laundering involving developing

Development Secretary Justine Greening said, "Corruption is not only picking the pockets of the poor, it is an enemy of prosperity and a brake on a country's development. Through the International Corruption Unit, the best of British law enforcement will step up our aid work combating corruption head-on across the developing world."

The unit will be based at the National Crime Agency and be the central point for investigating international corruption



nations and help introduce a greater focus on preventative action. The push to set up the unit follows a steady and substantial increase in individuals and companies who see developing countries as "fair game" for overseas bribery and corruption.

Launching the ICU last August, UK International

in the UK, including money laundered through Britain. It will also investigate UK nationals and companies who engage in bribery or other corrupt practices in developing countries.

Jon Benton, Joint Head of the ICU, said, "The work we're doing is absolutely vital for helping countries get back what is rightfully theirs." ■

Tunisia lost billions to import tax dodges - World Bank



ZINE EL ABIDINE BEN ALI WAS THE SECOND PRESIDENT OF TUNISIA

A new World Bank report has estimated that evasion of import duties by some of the wealthiest firms in Tunisia may have cost the economy US\$1.2 billion over the past decade.

Its political connections and tariff evasion report, published late last week, examined the practice of paying artificially low duties by falsifying the prices paid for imports, especially for goods attracting higher duties. The bank's investigation uncovered a wider-than-average shortfall among companies with strong connections to the regime of ousted Tunisian president Zine El Abidine Ben Ali.

The report said prices of imports were "underreported" between

2002 and 2009, allowing the connected firms to evade import taxes amounting to billions of dollars. Eileen Murray, World Bank Country Manager for Tunisia, said together the Ministry of Finance and the World Bank have been preparing a set of customs reforms, to simplify procedures and make them more transparent.

"These measures will boost exports and leave fewer opportunities for tariff evasion."

To identify tariff gaps, the report compared exports from Tunisia's trade partners with the value of imports reported at Tunisian customs.

Bob Rijkers, lead author of the report, added, "The fiscal losses we calculated are

based strictly on the underreporting of prices, and do not factor in other forms of tax fraud such as underreporting the quantity of imports, or the bypassing of customs entirely through smuggling."

He added, "The revolution has led to a decline in price underreporting by previously connected firms, but this has been coupled with a rise in tariff evasion among ordinary firms and an increase in informal trade."

Tunisia's former president Zine El Abidine Ben Ali was ousted in January 2011 as a result of the so-called Jasmine Revolution that began 18 December 2010. ■

(Public Finance International)

China's debt twice the size of its GDP

While China's economy expanded at a faster-than-expected pace in the year to June, something else accelerated even quicker: private-sector debt.

According to Bloomberg, outstanding loans for companies and households stood at a record 207% of gross domestic product at the end of June, nearly double the 125% level seen in 2008.

Having delivered four rate cuts and three reserve-ratio requirement reductions, and implementing debt-swap facilities to reduce financing costs for local government authorities in the past nine months, the renewed stimulus push by China's central bank, the People's Bank

very hard to slow the pace of the leveraging, but they are not deleveraging. The debt-to-GDP ratio will continue to go up."

Last month, the fund manager BlackRock noted that there were only four other credit booms of similar magnitude to that seen in China over the past 50 years, and all of them resulted in a banking crisis occurring within three years.

While the growing debt burden is creating amplified financial risks, BlackRock believes the fallout of any potential debt crisis could be limited by the Chinese government's effective ownership and control of the nation's banks, and the fact that China's economy remains

Outstanding loans for companies and households stood at a record 207% of gross domestic product at the end of June, nearly double the

125% level seen in 2008

Non-performing loans climbed a record

¥140 BN

(A\$23 billion) in the first quarter of 2015

of China, risks creating conditions that will encourage more debt to be taken on, potentially increasing risks of instability in China's financial system.

Adding credence to this view, nonperforming loans climbed a record ¥140 billion (A\$23 billion) in the first quarter of 2015 as the expansion in gross domestic product slowed.

Bo Zhuang, a Chinese economist at the London research firm Trusted Sources, says the rise in private-sector indebtedness is "quite an alarming issue".

"The government is trying

relatively closed off.

Still, given that Chinese debt levels continue to grow, it's debatable whether anyone would like to see this theory tested. Global markets were rattled in recent weeks on the back of a 30% plus decline in China's stock market. If the plunge in the market was enough to see international investors head to the exits, one can only hypothesize the scale and destruction a full-blown debt crisis would have on international markets. ■

(Business Insider UK)

Transfer Pricing: Could Sri Lanka learn from India?

India has grappled with Transfer Pricing for nearly one and a half decades and is drafting new laws that could cut legal disputes by half. But Sri Lanka is starting from where India was 15 years ago.



Perspective

Sri Lanka had for some time a vague law meant to prevent related companies from entering into transactions with each other in such a way that profits would end up being understated to minimize taxes. But new rules have been introduced, for instance, transfer pricing, which brings much more clarity and structure.

Now companies are required to report on related party transactions and prove that financial transactions are carried out at arms-length, that the companies are not related when it comes to financial dealings. Transfer pricing applies to related party transactions both domestic and cross-border. But there are problems. India introduced transfer pricing a decade and a half ago, and is still struggling with it. Sri Lanka's new laws are a mirror image of India's transfer pricing laws.

India has teething problems and, 15 years after introducing transfer pricing, new laws are being drafted to address a few contentious issues that have the potential to cut litigation by half. But Sri Lanka is starting where India started 15 years ago.

Charmaine Tillekeratne, Director Tax Services, PricewaterhouseCoopers (Pvt) Ltd spoke to Abacus about the advent of Transfer Pricing in Sri Lanka; and Kunj Vaidya, Partner Transfer Pricing, Price Waterhouse and Co LLP, relates India's experience, or struggle, with Transfer Pricing. Here are excerpts of the interview:

What is transfer pricing?

Charmaine: Today, 60% of the world's commercial transactions occur between related parties because companies span across the world. Take apparel manufacturers. They have factories in Sri Lanka or India, purchase their raw material from one company and give their sales to another. Then they have intangibles like research and development, trademark, etc. in other companies. This all involves a lot of payments back and forth between these companies within the same group, even cross-border.

According to transfer pricing, when a company deals with a related party, it has to use the same price as in the open market when it deals with third parties. A company needs to consider whether it would have paid the same price for that service or good to a third party. Transfer pricing regulations have been around for about 20 years in other parts of the world.

Although these rules weren't there, our Inland Revenue Act has a general anti-avoidance provision, which says you can't have artificial or fictitious transactions or any transactions that would amount to reducing the profits that come to Sri Lanka or to companies in Sri Lanka. But there were no guidelines on how to go about it or ascertain it.

They have brought about the transfer price concept because transactions are so interconnected around the world, and every country is keen to get its fair share of the economic pie. Whatever a company pays or buys should be at the arm's length price. But the transfer pricing concept is new in Sri Lanka. It started to be implemented only in 2013/14.

Weren't there any checks and balances in this regard before that?

Charmaine: Although these rules weren't there, our Inland Revenue Act has a general anti-avoidance provision, which says you can't have artificial or fictitious transactions or any transactions that would amount to reducing the profits that come to Sri Lanka or to companies in Sri Lanka. But there were no guidelines on how to go about it or ascertain it. Transfer pricing has brought a codified, structured way of ensuring that the correct price is charged.

In 2006, the Inland Revenue Act introduced transfer pricing for the first time, stating that related party pricing should be at arm's length and that they will issue the regulations subsequently. They introduced the first set of regulations, covering mostly transactions between multinationals - cross-border transactions mainly. These didn't cover transactions between domestic entities.

They introduced further regulations in 2008, but they weren't strictly enforced. They were highly technical. Companies needed a lot of help, so they were never really implemented. Then in 2013, they issued another gazette, which was more or less the same as in 2008 except that it was also applicable to transactions between domestic entities.

In 2015, they introduced another gazette, which mandated a certificate to be signed off by a chartered accountant that had to be submitted with annual income tax returns. If that certificate is not there, a company's income tax returns can be rejected. There are thresholds that companies will need to apply.

In that certification, the chartered accountant needs to certify all the documentation and all the factors given in the 2013 gazette that the company has followed. The 2015 gazette brought in this new certification, which now makes it mandatory to follow all the rules. So now companies have no choice. That is the big difference. They need to have all the documentation in place to prove that.

How will it change things for companies?

Charmaine: It shouldn't change things. The objective of transfer pricing is not to change how they do business. Companies just need to make sure that they're in line with the regulations. They need to have a transfer pricing policy. All of that is part of the documentation. They need to get their housekeeping in order and make sure that while they apply transfer pricing, they can still follow their business model. They just need to do that and have a trail of documents which will document that.

Companies will incur an initial compliance cost because most companies will be starting to do this from scratch. And then of course there'll be an annual compliance cost. But it will work both ways. This will also help companies to lessen the disputes they have with the department because otherwise in a year-on-year basis the department can ask the same question over and over again. Now, once companies get everything in order and prove it, at least for a certain time they can be comfortable and not hear the same question over and over again.

How familiar are accountants with transfer pricing? Is it something completely new?

Charmaine: As I said, transfer pricing has been around globally for more than two decades. These transfer pricing rules are mostly similar globally. There are a lot of papers published and rules established by the OECD, and over 20 years, they've refined it. Each country has customized its regulations, but broadly the concept is the same worldwide. So accountants are aware of the concept. The difference now is that because of the gazette, transfer pricing started to be implemented in Sri Lanka from 2013/14.

The rules are the same, the concepts are the same. We have just adopted it only recently. There's no difference to the global rules, but knowing the theory and applying it practically are two very different things. We've had a lot of seminars etc. in order to educate accountants here, but it's not easy. The section related to transfer pricing in the income tax act is very small.

An accountant can't understand everything by just reading that. They require a lot of research and discussion papers globally on this subject. We've been holding seminars that try to summarize all that and present it in a digestible form. Right now people are getting educated on the topic. They appreciate the importance

While management and senior management appreciate and accept transfer pricing, some people aren't willing to change what they've been doing all these years. When it comes to cross-border transactions, we also have to get the other companies involved.

of transfer pricing and the need to get things in order. It's new even to the department and they're being helped by foreign consultants. The first couple of years will probably be a big learning curve for everyone. There'll be things that need to be discussed and refined, but it's a starting point.

I know you're working closely with your Indian colleagues on this. What were the actual practical issues they faced?

Charmaine: We have actually started some work with Sri Lankan clients on this. One practical issue we have run into has to do with practices that companies have been engaged in year after year, especially where domestic transactions are concerned.

Nobody really knows a reason for them so they pay a certain price. Sometimes they'll say, "We got an invoice from a foreign company to pay this amount, so we paid it. We don't know what it is for." So one of the biggest problems we're facing is that they've been carrying out transactions, but there's no documentary proof for the underlying commercial verification. Basically, there has been no transfer pricing policy, no policy within the group that says what kind of pricing needs to be used when a certain transaction is done. The time factor is also an issue. Approved accountants won't sign off on the certificate if things are not in place. The income tax return is due in November 2016, so there's time for that. But company financials close in December or March so things have to be in place by then. While management and senior management appreciate and accept transfer pricing, some people aren't willing to change what they've been doing all these years. When it comes to cross-border transactions, we also have to get the other companies involved.

It's going to be a bit of a scramble for these companies. Do you think the tax department will give them some leeway?

Charmaine: I don't think the department will officially say so, but I think that in the first year or so, they won't be too harsh. Anyway, our rules are not too bad. In India, if a company doesn't have the proper documentation, there's a heavy penalty. But in Sri Lanka, we don't have a penalty for not maintaining the documentation. At the beginning, they won't be too harsh; they will also need time to settle in.

Perspective



eral rule is that the profits of a particular tax jurisdiction must be reflective of the business carried out in such jurisdiction. The TP provisions provide a framework to regulate pricing of transactions between related parties to ensure the above balance is maintained when MNEs carry out cross border transaction with related parties.

After studying global best practices, India introduced TP regulations in 2001 which is broadly in line with the globally accepted TP fundamentals, but for two major gaps. The first one was the use of the arithmetic mean when compiling comparable data. Globally, median is used which is a better representative of the comparable set. Presence of outlier data points in a comparable set could significantly skew the arithmetic mean. Further, without the concept of an inter-quartile range, one cannot exclude such outlier data points.

The second aspect in which the India TP regulations departs from the global TP fundamentals, is the insistence that current year data be used; a company may use two prior years of data if there is influence on pricing, which is difficult to prove. The challenge in this regard is that current data for the comparables would not be available when tax returns are filed. Globally, regulations allow the use of multiple year averages; three year or five year averages. Had India addressed these two aspects while introducing the TP regulations, a significant number of TP disputes in India could have been avoided.

Sri Lanka has recently introduced TP regulations. Do we have these issues in Sri Lankan law as well?

Kunj: The TP regulations introduced in Sri Lanka closely mirror the Indian TP regulations but for a few differences which are relatively lenient in Sri Lanka's TP regulations. As a result, the aforementioned concerns on arithmetic mean and current year data are also valid for the Sri Lankan TP regulations.

We have spoken to the Sri Lankan Inland Revenue Department (IRD) and shared these concerns with them so that they can avoid the needless TP litigation which hurts the country's reputation. As we discuss, India is modifying its laws with regard to these two aspects. Draft legislation is already in place and the final rules should come out soon. Sri Lanka could consider these modifications when the rules are finalised and notified.

If there's no penalty, what's the incentive for a company to do it?

Charmaine: Their tax documents won't be accepted. And if the documentation isn't right, the tax department can always make a tax adjustment. It'll be a tax outflow for them.

Why did Sri Lanka introduce transfer pricing (TP) and what were the pain points along the way? What's India's experience with TP?

Kunj: Today, more than 60% of the global cross border trade takes place within multinational enterprises (MNE) which may result in certain complex arrangements between companies belonging to the same MNE Group. The gen-

TP rules prevent MNEs from making use of low tax jurisdictions at the expense of other countries; but do TP rules also apply to companies with domestic related-party transactions?

Kunj: The TP exercise is meant to ensure that tax revenue of a particular jurisdiction is not affected, so the same TP principles apply to both multinational and domestic companies. For example, one company in the group may make a loss and the group may transfer some profits from other companies in the group to this loss making company. This will not change the net profit of the group, but would reduce its tax outflow. Similarly, a company in the group may enjoy tax holiday, so profits can change hands to increase the profit of the tax holiday company and reduce the taxable profits in the group. The TP rules for domestic transactions attempt to curb these potential situations.

Are there many disputes around TP in India?

Kunj: An internal circular requires the tax officer to audit every company with related party transactions of 150 million Indian rupees or more. In a multinational scenario, this threshold is significantly low. This has resulted in a single TP officer having to handle, in some cases, as many as 80 to 100 matters a year which is not practical. Probably, the top 15% to 20% of TP cases in litigation represent 80% of the total adjustment value.

However, the other 80% of tax payers too suffer prolonged years of litigation. These concerns have been shared with the IRD as well. There has to be a risk-based approach which has been adopted successfully in other jurisdictions like Australia. Taking away blanket thresholds could help bring down the number of avoidable disputes in India, and a risk based case selection for audit would allow the tax authorities to better channel their resources.

How easy is it to compare prices and compile comparable data?

Kunj: The universe of comparables (i.e., the starting) may more or less be the same across an industry, but two businesses are never the same and proving that the transfer price is at arm's length is not easy. This requires thorough understanding of the business, the functional profile around the covered transaction, careful review of the comparables, and making necessary adjustments. TP regulations create an artificial fiction that the transactions between related parties are carried out as if the other party is a third

A company in the group may enjoy tax holiday, so profits can change hands to increase the profit of the tax holiday company and reduce the taxable profits in the group. The TP rules for domestic transactions attempt to curb these potential situations.

party. It's not as simple as comparing prices with those prevailing in the market, as there could be several other considerations to be mindful of. Tax officials in India do their own research and compile their own data. Sri Lanka has formed a separate TP division and tax officers are being trained in this regard.

You said earlier that Sri Lanka's TP laws were lenient compared with India. How so?

Kunj: Under the Indian TP regulations, the ownership threshold for related party is 26%, whereas it's 50% in Sri Lanka. This is a significant difference in scope of what gets covered. E.g., in Sri Lanka you can have an equal three-party joint venture and not be subject to the complexities of TP.

In India, even though you may not control pricing with a 26% holding, you have to prove that your transactions are arms-length. There are other clauses on guarantees where the thresholds are more lenient than the Indian TP regulations. Also, India has 13 clauses for deemed related party but Sri Lanka has only 11. Further, the Sri Lankan regulations do not have any penalty provisions. However, India has stringent penalty provisions.

Is the Sri Lankan corporate sector ready for TP?

Kunj: Inbound MNCs are used to dealing with TP in other parts of the world, but companies domiciled in Sri Lanka may find the provisions onerous. Also, there is a concern about compliance costs but this is not a new thing. Maintaining arm's length for transactions between related parties has always been a requirement in the Inland Revenue Act, but now it is more structured with clear guidelines to follow. I understand that the companies have accepted that it is here to stay and they are dealing with it to the best of their abilities.

How is it working in the US and Australia?

Kunj: It is a constant area of focus in both countries and they have matured because they have been doing it for several years. There is a lot more mutual faith between tax payer and the authority. It comes through learning and experience. It would certainly help all the parties involved if the jurisdictions newly implementing TP borrow from others' experiences. ■



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OLIVIA KIRTLEY, PRESIDENT OF
IFAC, SAYS ACCOUNTANTS CAN
BE WORLD LEADERS



QUALITY ALWAYS WINS: OLIVIA KIRTLEY

The global federation president thinks the accountancy profession has a leadership role to play globally

BY VINOD MOONESINGHE

The first woman President of the International Federation of Accountants (IFAC), Olivia Kirtley takes the responsibility, of ensuring that the organisation and the profession will be better off at the end of her term than when she began very seriously. It takes time, she says, and much travelling to different countries to meet different people and learn about their challenges to bring together the collective strength of the global organisation to help solve these issues.



As companies operate around the world and the economy becomes more global, it is a more difficult environment for the accounting profession to operate in because of regulatory fragmentation.



CASL CEO ARUNA ALWIS, IFAC CFO RUSSEL GUTHRIE, PRESIDENT IFAC OLIVIA KIRTLEY, MINISTER OF FINANCE RAVI KARUNANAYAKE, PRESIDENT OF CASL ARJUNA HERATH AND, SECRETARY TO THE MINISTRY OF FINANCE DR. R H S SAMARATUNGA

Her professional career has covered all stakeholder groups with which the profession is concerned. She spent the first decade of her career doing auditing and tax with what is now EY, before going to the corporate world, and ultimately becoming CFO of a global publicly traded company. She was Chair of the American Institute of CPAs, and subsequently Chair of the Board of Examiners for the CPA exam. She has worked for the past 15 years as a governance, risk management and business strategy consultant, and for the past 20 as a non-executive director on several public company boards. Her experience has given her a broad global understanding of the profession and what needs to be done.

“The accounting profession is uniquely qualified in times of uncertainty, because we are trained and have a knowledge base to understand not only what has gone on in the past, but to anticipate the issues and challenges we might face going forward, not only from a financial point of view, but also from a strategic and planning one. Our profession can be world leaders for others, because we have experience across many businesses, about what works, what has been successful, and what the metrics need to be in order to see trends. We have a world leadership role to

play,” she said

In a constantly changing world, it takes people with unique insights, capabilities and know-how to analyse what is going on today, and to determine trends, in order to advise people on what steps are required for future success. That includes measures in place to ensure a sustainable business model, and the right information being provided to the right decision-makers. Accountants have a tremendous leadership role to play and should view their role as broader than just supplying financial information.

Challenges

Kirtley views facilitating the setting of standards as one of the organisation’s highest priorities and primary contributions to the global economy, given the importance of consistent standards across the world, enabling members to have high standards to follow in their individual countries.

“The development, adoption and implementation of the International Standards is central to our strategic plan. We provide the funding for international standards in the fields of auditing and assurance, ethics, education and public sector accounting. Volunteers from our profession are critical to



We take our role of speaking out on behalf of the profession very seriously, not only about our own professional issues but issues that we believe are critical and in the public's interest where we have unique insights and perspectives from an accounting point of view.

those boards.”

IFAC's strategic plan to meet this challenge, she explains, is to promote the strength of the standard-setting model, and to ensure all stakeholders understand its value. Its greatest strengths are independence from undue influence, not only from the profession but from regulators, governments and other stakeholders; and the robust due process that it goes through in maintaining that independence. One of the values of greatest importance that IFAC brings to the global profession is to be that central point, ensuring the strength of the model and its credibility with regulators, governments and the investment community around the world.

Equally important is consistency of regulation across the various jurisdictions, with so many different rules in different countries. As companies operate around the world and the economy becomes more global, it is a more difficult environment for the accounting profession to operate in because of regulatory fragmentation. IFAC spends a lot of time talking to regulators regarding the importance to stakeholders of consistency of regulation and consistent information across countries.

Small and medium enterprises (SMEs) are the majority of economic drivers in every

country so their issues are critical to the profession. These issues are embedded in every area of IFAC, which ensures representation of champions for issues which might be unique to them on every board and committee, and has a committee specifically focussed on it. The small and medium practice (SMP) committee has started commenting on every standard that is proposed by IFAC standards-setting boards from a SMP/SME perspective.

Kirtley says “We will continue to embed SME and SMP issues, and the appropriate representation throughout every aspect of our work.”

Public interest

Another major challenge is advocacy in the public's interest. IFAC serves as the global voice speaking on things that are important for the world where accountants have particular knowledge and expertise with organisations such as the G20. IFAC identifies issues where it can be particularly impactful and effective, such as government accounting and transparency - it has an initiative called “Accountability Now”, and has been speaking out from two perspectives: the government's responsibility to have good accounting, where they account for everything and are very



Kirtley thinks it is important for the general public to understand what is unique about the members of the accountancy profession: that they have standards and ethics to follow, and not a commodity to be hired



OLIVIA KIRTLEY ADDRESSING STUDENTS AND LECTURERS OF CA SRI LANKA, CIMA, CMA, ACCA, AAT AND UNIVERSITIES

transparent, and the need to have qualified accountants who can identify, prepare and participate in how that information is used. This ties in with the consistency of regulation: ensuring that rules and regulations put in place are in the best interests of quality.

She says “We have been participants since the inception of the Integrated Reporting Council. We believe that integrated reporting, but more importantly integrated thinking, is something that companies and governments need to move towards on. We realise that this is a journey; it is not going to happen overnight. But we believe it is important that everyone realise its importance and start moving in the right direction.”

She considers integrated reporting a by-product of integrated thinking, enabling better decisions for business sustainability, business stewardship, and being better corporate citizens and making decisions that are in the best interest of the public and the environment.

Through IFAC participation in the IRC, there have been pilot projects and companies to give examples for how this can be achieved.

IFAC speaks out about ways to increase

transparency and accountability in the private sector, an area where governance and oversight has a very strong role to play, in addition to the advancement of risk management practices - which the global financial crisis showed as one area that needs to be strengthened.

“We are very active on both those fronts, and we are very strong proponents of good governance. In the US, for instance, after some scandals such as Enron and WorldCom, we implemented new laws and regulations that really strengthened corporate governance. Such regulations and laws have been adopted in different ways around the world.”

IFAC and the profession

We take our role of speaking out on behalf of the profession very seriously, not only about our own professional issues but issues that we believe are critical and in the public’s interest where we have unique insights and perspectives from an accounting and finances point of view.

“We certainly have the training and capabilities that no other profession does,” she opines. “Training and education as a professional accountant is a foundation

to many things, not just accountancy work: it empowers you with a knowledge base to contribute at many different levels. Everything in life has its trends and its challenges, but the value of a PA will be recognised over a long time regardless of some trends that might be in the marketplace today. There are plenty of opportunities for them despite moves to try and commoditise accountancy work. So I think their future is bright and they will have plenty of employment opportunities. I would say that the general principle of quality always wins. It is true anywhere in the world.”

The role of accountants in many parts of the world has moved completely away from a bean-counter role to being an integral part of strategy-setting and decision-making processes.

She says “We should not be restricted to preparing only reports we have always prepared. We should identify information needs in order to make better decisions and customise or supplement the reports we are giving with that information and start engaging others throughout the company in those conversations.”

She provides the example of the CEO of The Coca-Cola Company who, when he was CFO previously, would spend three or four hours every week talking to different leaders in the organisation, asking “What information, if you had it, would make you more successful and how can we provide that for you?” With that the whole finance and accounting department started to be viewed differently, as part of the strategic management decision-making team, as opposed to someone who simply provided historical data.

Kirtley thinks it is important for the general public to understand what is unique about the members of the accountancy profession: that they have standards and ethics to follow, and not a commodity to be hired. One of IFAC’s roles is promoting the value of the profession and its uniqueness.

“Professional Accountancy will remain united,” she says. “We may work in different ways, but we always had our membership distributed broadly through advisers, consultants, within firms, outside firms, within businesses and governments, and as long as we stay focussed on what unites us: adherence to consistent standards and adherence to our ethical standards and our educational requirements, then I think we will remain a united profession.”

Capacity building and quality

IFAC is very focussed on capacity building

and the quality of the profession, particularly in areas where it needs to be strengthened. Building reputation and trust in the profession is dependent on the quality of the work accountants do to serve the public. Accountants must hold themselves to certain standards in order to be a member of IFAC and adhere to the statement of membership obligations, which is extremely important to assure the quality of membership.

IFAC needs to contribute to the quality and capacity of the profession all around the world, particularly in countries that do not have a strong professional accountancy organisation (PAO). The PAO Development Committee, which operates within IFAC, tries to identify areas of the world where the profession is not as well developed by doing gap analysis to see how to assist them, and engaging with the World Bank, Asian Development Bank and other donors for funds and technical support. Recently, IFAC received a grant from the development authority in the UK to help advance the profession in 10 countries. IFAC provided the technical expertise, and set out specific objectives and action items to try to strengthen the infrastructure of those PAOs.

She says “You are very fortunate in Sri Lanka to have a very strong accountancy profession and very strong PAOs. One of our challenges is to make sure that other countries that aren’t as strong get assistance and knowledge. CASL, knowing how to get stronger and better, has been a big contributor in partnering or twinning with other PAOs in the region who need assistance. The CASL President, in particular, who serves on our PAO development committee, has been a tremendous contributor to advancing the strength of the profession in this region. CASL is a very advanced professional accountancy organisation, not only strong within the country but a leader in the region and in providing leaders on a global basis.”

Sri Lanka’s accounting profession is on the cutting edge of integrated reporting in particular, providing leadership to developed countries who are trying to make strides in that area. She thinks CASL should be extremely proud of having a strong organisation providing global leadership. And she is in a position to know.

“This is not my first visit to Sri Lanka,” she says. “I was here, in a private capacity, 10 years ago, trying to put people back to work and build businesses after the tsunami. So it has been an absolute privilege and very inspiring to see how Sri Lanka has not only survived but thrived following the catastrophe.” ■



Sri Lanka’s accounting profession is on the cutting edge of integrated reporting in particular, providing leadership to developed countries who are trying to make strides in that area.

Innovation

Innovation is more fun when you collaborate on it: Greg Bernada

Sri Lankan accountants have the potential to effect **change within their organisations** and in society.

Hailing from Lausanne, in the French-speaking part of Switzerland, Greg Bernada lives in Hong Kong but is planning to move to Singapore. He worked for the World Economic Forum (Davos Forum) for eight years, engaging with members to address global issues using collaborative innovation. In 2010, he took the concept of bringing different people together, in different contexts to work collaboratively within organisations, not-for-profit, across organisations and social sectors to design a future that employees, customers, and communities would recognise as their own.

THE CO-AUTHOR OF VALUE
PROPOSITION DESIGN GREG
BERNADA SAYS INNOVATION
CAN BE FUN.





GREG BERNADA ADDRESSING THE CA SRI LANKA STRATEGY SUMMIT 2015

He works with business models, looking not only at products and services, but at inventing or re-inventing the entire system. The co-author of Value Proposition Design, Bernada counts Colgate-Palmolive, the Nokia Group, Volkswagen, Solvay, ABB, SCA, Tetra Pak, Michelin, Capgemini Consulting, Harvard Business School, Sunstone Capital, the Richemont Group, Beijing University, China's People's Daily and China Fashion Forum among his clients. We spoke to him at the Strategy Summit 2015.

What caused you to focus on the area of collaborative innovation?

A: I realised that I am not your pure business. I am really impassioned by seeing how we can add value to society to create some-

thing that didn't exist before, which adds to our culture, to the flow of what we are doing as humanity. Starting from that premise, one path is to work on ourselves, personally and individually, as leaders and innovators to be able to play a role towards this. I also realised that we cannot do things alone, we have to work with other people, which is fun and you achieve more together. The whole idea of collaboration is to design the tools, the business models and value propositions to do a better job at inventing the new future.

So are you looking at the impact of a business, in a holistic fashion, on the environment and the economy?

A: I don't think you can create a business and then, separately, have to look at external-



ties and things like that. My thinking is more about how you can create value out of the problems or aspirations that exist in society. I think that every business is in the business of human wellbeing, and if you take that thread far enough, you understand that there are new opportunities for value creation, which are not disconnected at all from a better environment and a better society: ultimately these things are one and the same.

Are there any practical case studies that you could enlighten our readers on?

A: What jumps to mind is the whole process that we did for Michelin, the French tyre company. Their problem was that they were very good in the luxury tyre market. They were selling very well, but they saw all of these low-cost players increasing their share

of the market and being potential threats to Michelin's position. So Michelin said "we should also be playing in the low-cost market, to defend ourselves, but also to create value, because we think we have a role to play there".

So we first had a three-day workshop, gathering a global team together. They invented prototypes of business models and value propositions. Then we had a three-month process where we tested these business models by going to the customers with technical people and all sorts of different stakeholders.

We cannot do things alone, we have to work with other people, which is fun and you achieve more together. The whole idea of collaboration is to design the tools, the business models and value propositions to do a better job at inventing the new future.

Then we had another workshop where we considered what we had learnt, made some decisions and started an implementation process. That was an accelerated way of inventing a new business, very intense, very collaborative, and which generated very good results for them. We do that for all sorts of organisations in different parts of the world.

What do you see as the biggest challenges to this collaborative effort?

A: I think one challenge is the first contacts that should happen within organisations themselves. To do so, you need to create the right type of cultural environment so that people are not acting only out of their own silos. But there are places, processes and cultures that allow cross pollination inside the organisation.

Steve Jobs, who headed Pixar for some time, created a big building where the space is designed so people bump into each other, and will start to talk about what they can do together and so on. So I think you have to create that type of cultural environment. You

also have to do the same kind of thing outside the boundaries of the organisation, across organisations, and potentially across professions - business together with politics, society and artists; that is when you start creating interesting value.

One speaker today highlighted the fact that we have developed fixed ways of doing things that become an obstacle to innovation.

A: Mindsets are the toughest things to crack and they are the most powerful ways of breaking through something. It is both the responsibility of people (like myself) organising a workshop, and of the participants themselves, to change mindsets. I think you have to choose to be open and to see things in a different way.

The responsibility of the process de-

I like montessori or steiner schools, because they look at individuals holistically, not as a nation of factory workers in society, but more as human beings, also recognizing that we can do all sorts of different things.

signer or the workshop designer is not in trying to change people (I don't think you can), but in trying to change the environment in which people work, and perhaps the tools, the ideas and the inspiration. By creating an environment and an example, you put everything at reach for people to see for themselves, whatever they feel moved by, and then the process of opening, of changing mindsets starts. You can do that in a workshop, but ultimately you should do that in an organisation or in a culture.

Do you think it is something that should be inculcated in students at the learning stage itself?

A: Definitely. I like montessori or steiner schools, because they look at individuals holistically, not as a nation of factory workers in society, but more as human beings, also recognizing that we can do all

sorts of different things. Obviously, that is an amazing environment to be educated in, to understand yourself a bit better and to see how you can contribute to society. If you do that, you have a better chance to replicate the type of very open and flexible environment and mindsets in workplaces.

You have worked in completely different cultures. How has that shaped your perception of how to get people working together?

A: When I do workshops in Switzerland, the US, Europe or Asia, I feel there is always a cultural stratum which is different, but ultimately people are people. It sounds like an easy thing to say, but once you actually get people into the position of being themselves in the workplace or forgetting their roles at a workshop, and become genuine authentic human beings, they can contribute to a problem. There are many ways to do so, through games, playing with your hands and your senses. When we get to that place, I don't see a lot of differences between people.

You have worked in China for many years. What can we learn from them?

A: In China, there is an ambition to be more creative. You see a lot in the media about China wanting to move away from being just the factory of the world, to go from "made in China" to "designed and created in China". This is the aspiration and sometimes people are not sure how to go about it.

Having said that, there is a lot of flexibility in the way Chinese professionals work, which can, at least from the Western point of view, be seen as a little threatening; there is uncertainty about whether people adhere to processes or ways of doing business. But it is part of their Taoist tradition - being flexible, going with the flow, mingling with people, and being comfortable in uncertain and very fluid environments.

I think that is a very good skill that echoes both the deep tradition and what you hear about creativity and innovation in the most advanced places in the world. It is interesting that both modern and ancient themes talk about the same way of working and of creating value.

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What lessons do your experiences provide for Sri Lankan accountants?

A: I must confess I do not know much about Sri Lanka, but it sounds like, looks like and feels like this is a country whose time has come. There is energy here, even at this summit, about inventing the future. It is not everywhere that you can feel this. If you go to Europe, there is a morose atmosphere, people are feeling “what is going to happen to us?” In other places there is a different mood. However, here it feels very optimistic. That is a great environment. Accountants could play their role as accountants in supporting the collaborative process within their organisations. But then I would go a little beyond the role of an accountant as an accountant. And that is what you are doing here. You have a group of chartered accountants, but they are thinking not only about financial processes and regulations, but also talking about strategy. It would be interesting to see how accountants could, with that vision in mind, play more of a strategic role within their organisations to support this move forward, not just in the traditional role of the accountant.

Where do you think the world will be in five years?

A: I have no idea! Of course, China will probably be present more everywhere, digitisation is changing everything that people do. However, beyond that, we do not know what will happen. There are many things I could say about it and other people could say a number of things about, but I don't think we can really predict what will happen. In this changing environment, we must always go back to one thing, which is how can we, as individuals and groups, develop ourselves so that we are more aware of what is going on, more aware of ourselves, in touch with our creativity, in touch with our openness, being able to sense things a bit better, and from that point, being healthy and wholesome as individuals, groups and organisations. If we focus on this, we can be in a position to take on whatever is happening and get some good out of it. That is my hope for the future, that we can, all of us, go in the direction of being more aware and ultimately doing something that takes the world forward.

Science fiction writers such as Isaac Asimov assumed that automation and robots would make life easier for people by taking the drudgery out of work, leaving them free for creative work. But in fact robots have been taking over the better paid, creative jobs.

A: This is typically one thing where you could go in all sorts of directions. There is a great opportunity in what technology can do for us. What you see right now is that it is creating value, but the value is not being shared.

It is held basically by the guys with the biggest computers - the Googles, the Amazons, and so on. Having said that, you also see, on the margins, people who are organising themselves to branch off from this commercial, high-powered world.

You have things like Linux and all manner of sharing schemes - not the Airb&bs of the world, which are also monopolies - but other more grassroots initiatives, such as crowdsourcing, which are putting values at the core of what they are doing. We don't know what will happen, because the guy with the biggest computer can take advantage of these platforms - Airb&b is a great organisation, but it is concentrating a lot of wealth right now.

If you go to Europe, there is a morose atmosphere, people are feeling “what is going to happen to us?” In other places there is a different mood. However, here it feels very optimistic.

That is a great environment.

There are people who are using technology to pursue opportunities in a purely commercial model; and there are people doing this in a manner closer to the principles of sharing and building communities and being wholesome communities, redistributing value. I don't know where the future is going, but it will be interesting to watch the tussle between these two polarities. ■

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VUSI THEMBEKWAYO THINKS
WHAT IS NEEDED IN THE NEW
WORLD IS A DIFFERENT WAY
OF DOING THINGS.



VUSI THEMBEKWAYO: ADAPT TO CHANGE

Accountants need to alter their perspective to accord with the business realities of the new world.

BY **VINOD MOONESINGHE**

A Zulu by ethnicity and proud of it, Vusi Thembekwayo was the youngest director of the Johannesburg Stock Exchange. Trained in corporate finance, he is an expert in venture capital and equity, specifically in emerging markets in Africa. He was invited as an investor to Dragons Den, owing to his impressive track record in building businesses. Recognized globally as the “Rock Star of Public Speaking”, he won hearts and minds at CASL’s Strategy Summit 2015. Afterwards, we asked him what he did, how he did it and what he had learnt.



VUSI THEMBEKWAYO ADDRESSING THE CA SRI LANKA STRATEGY SUMMIT 2015

What we have done is build the Titanic—layers upon layers of organisation. And you want to know what is in every part of it, you want to try and manage this chaos, to implement some sort of ERP system that is going to give you that knowledge and nuance.

What have your experiences taught you about businesses?

My expertise is research that relates to how organisations can differentiate themselves and perform with excellence against their competitors, or looking at the performance of two businesses operating in the same markets, selling the same commodities to the same customers and questioning why what one does the other does not. It is really about how you build a great business and how you deploy capital in emerging markets to get a good return. I think the principles are universal. One of the interesting things about business is that the experiences we share are similar, regardless

of the territory that we are in.

For instance, a competitor of mine, who works in the venture capital space, doing some fascinating stuff in emerging markets such as South America, Ecuador, Chile, Brazil and Argentina very different to what we are doing in South Africa, Ghana, Benin, Nigeria, Kenya, Tanzania and Rwanda - is learning the same lessons we are.

So I think the narrative of distance creating a different story is not true. Sri Lanka, for instance can learn a lot from some of the experiences we have had in South Africa. We went through a fairly peaceful transition process when we ended what was essentially 400 years of subjugation and prejudice. Nobody was referred to the ICC, we dealt with it completely internally, without any external assistance. When I look at what you have experienced, I think there is a lot of learning there that can be exchanged. Obviously, the model needs to be adapted to your environment.

I think we still have to learn (and this is a human precondition) that we are better working together than apart. Humans come from a deep history of separateness, of us and them, black and white, Jews and Palestinians, Buddhists, Hindus, Muslims and Catholics. What we are having to learn now is that share a destiny; we all want a sustainable world, we want growing markets, we want a well-educated population, strong

GDP growth, women's rights, proliferation of rights for the minorities, we all want the same things, regardless of where we are. And it is sharing in that destiny that is going to enable us to succeed in the future.

People consider Africa as a single place, whereas it is a huge and diverse continent.

Absolutely, and it is arguably the most diverse part of the world, with fifty two countries, over 2,000 tribes and over 3,000 indigenous languages. It is extraordinary that in a country like Sierra Leone, the lingua franca is French, because due to the variety of tribes in Sierra Leone, there is a language disconnect. In South Africa, I drive three or four hours from where I stay to get to the northernmost part, on the borders of Zimbabwe, and I can't understand the language; I don't understand Tshivenda, and I can't make head or tail of Xitsonga! I might as well be in Sri Lanka when they speak Tamil. We have to learn to attune ourselves to the environments we are working in.

Do you find that cultural practices affect the way businesses operate?

I think what cultural practices tend to do is give an interesting nuance to businesses. For instance, drawing on my own experience from Dubai, they shut down for sometime in the middle of the day, because it gets really hot, so they shut down for three or four hours. In my country you can't shut down for one minute.

We are a deep resource-based economy, our production output is about minimising cost per tonnage, whether you are in Iron, Platinum, Gold, Aluminium, Copper or whatever. It is an extractive economy, so the longer you run, the lower is the cost of running. Cultural practices give a nuance to different economics, and global capital (what we are) is learning to be humble to those nuances. The Americans are really bad at this, because the Americans come with a "we are going to tell you how to do it" approach. If you come into a local environment, you must humble yourself to learn how the people here operate, think and work.

Why do you think businesses with good strategies and good products fail?

I think one reason is that they are still thinking about new problems in the old way. It is the problem, not the solution, that is broken - the way you thought about what the problem you have is, that is the problem. I am becoming more and more convinced that hierarchy is the enemy. We have constructed a business structure based on military structures.

The most efficient form of organisation in the 1800s was military: you went in one line and came out the other line, a production line producing sausages: the sausages just turned out to be well-trained soldiers. In the military this works, but then we applied it in business: the larger any organisation gets, the more

layers it has, the deeper the hierarchy, the more distant the executive level becomes from the operational level. What we have done is build the Titanic - layers upon layers of organisation. And you want to know what is in every part of it, you want to try and manage this chaos, to implement some sort of ERP system that is going to give you that knowledge and nuance. We implement massive ERP systems, which are never on time and never in budget, because of the complexity of this thing we have built.

I think what is needed in the new world is a different way of doing things. For instance, when the son took over Semcor in Brazil, a steel manufacturer, the company was on the verge of bankruptcy. I think it is now the second-largest steel producer in Brazil, a size-

Accountants who are worried about risk, internal audit and governance will fall over and die over this, because risk, internal audit and governance are essentially about standardising and sanitising: cleaning things up.

able business. He said the first thing he had to do was give power back to line managers.

He broke down the complete corporate structure, took business units and made them teams, and gave them responsibilities and said "It is your business, you drive it. All that I measure at the end of the year is your net contribution to the business. You can work when you want to, pay yourself whenever you want to, out-source, in-source. All we are giving you is the space and franchise, and at the end of the year you must meet a number. How you meet it is up to you."

What role will accountants play in this new world?

Accountants who are worried about risk, internal audit and governance will fall over and die over this, because risk, internal audit and governance are essentially about standardising and sanitising: cleaning things up. If you create that sort of agile environment, you cannot standardise, which means you have very little opportunity for sanitisation.

So my theory is that what accountants are doing will have to change over the next 50 years. It will have to evolve into a more agile profession, which is not about compliance and assurance, as it is today: how many clients are sitting in front of me and how many assurance reports can I issue? For a business to be

competitive going forward, it is going to require a different kind of perspective and skill for accountants.

What was your experience with new entrepreneurs in “Dragon’s Den”?

Dragon’s Den is an extraordinary platform to meet entrepreneurs who are running businesses, who want to do things: they have great ideas, they are innovative, and they are fresh. But there are lesser truths. The first I have seen in Sri Lanka: after the tsunami, there was a flood of cheap (it was zero-cost, really) foreign aid that came into the country.

You had aid funders who felt compelled to do something and, as the West does when they have a guilty conscience, they threw money at it so they would not feel bad. It has created an NGO sector that thinks it is entitled to free capital. That is not only a Sri Lankan problem: in all emerging markets where we operate, people think money must come free. In Nigeria, you tell a young entrepreneur running a small business, who needs growth capital, “I am happy to do business with you and give you growth capital and these are my terms”. He replies “Why must I take those terms from you when USAID or IFC or any of these development funding institutions is happy to give me the capital at much reduced rates?” The problem is, they will only apply capital to your business for three, perhaps four years: after that, they will

I think, as emerging economies, one of the things we are going to have to do is to learn to build our own communications system... what is your equivalent of the Wall Street Journal or the Financial times or Forbes Magazine; who is writing it, and where can we find that information.

pull the capital out because they must show returns in Washington.

Whereas we are saying let us build for the future - if I give you my capital, I am with you for 10 years; I take a 25-year view on your business. There is a distinct need for re-education of what it means to be an entrepreneur in emerging markets. The second is that our education system is broken. We are still teaching people a set of skills that worked 40-50 years ago; in the new world, different skills are needed to succeed.

We, as leaders in emerging markets, must start thinking about who is going to tell the story. The Americans have become very good at telling the story: if I want to find out if there has been a tsunami in Sri Lanka, I must connect to a news agency in New York



VUSI THEMBEKEYO ADDRESSING THE CA SRI LANKA STRATEGY SUMMIT 2015

or Los Angeles, or Denver, Colorado, to find out what is happening at the other end of the world.

And I think, as emerging economies, one of the things we are going to have to do is to learn to build our own communications system. So that I can connect and find out what is happening in your world; what is your equivalent of the Wall Street Journal or the Financial times or Forbes Magazine; who is writing it, and where can we find that information. Because there can be no denying that these markets need those information resources.

I am very passionate about this: so much so that I am looking deeply for an opportunity for us to get actively involved in shaping the narrative we have in the market space, so that we can connect to each other directly, without somebody at CNN or Fox News having to overlay their “what is the truth” and their implicit prejudice.

Finally, I would have to believe that there is hope. For me, it is the fact that there are still people who wake up every morning and think about cool things to do, think about what to try, and go out and try them. My country has an unemployment rate of people below the age of 25 (and that is the predominant age group) of over 60%.

Today’s government understands the problem. They are doing a lot to fix it, putting things in place to address the problem; it is just going to take time. These are the very same young people who are saying “If I can’t find a job, I will need to make one, I will have to go out into the market and ply a trade”. And that is what they do. And it is a good start. ■

Update

CA Sri Lanka to assist the Maldives to develop and strengthen accounting and auditing profession



CA Sri Lanka recently signed a Memorandum of Understanding (MoU) with the Maldivian Auditor General's (AG) Office to strengthen and develop the accounting and auditing profession in the Maldives.

At a ceremony held in the Maldivian Capital Malé, President of CA Sri Lanka Mr. Arjuna Herath and the Auditor General of the Maldives Mr. Hassan Ziyath signed the MoU in the presence of the Minister of Economic Development of the Maldives Mr Mohamed Saeed, Maldivian government officials, senior officials of the AG's Office, practicing Chartered Accountants in the Maldives and CA Sri Lanka council members.

The agreement paves the way for CA Sri Lanka and the Maldivian AG's Office to work towards developing and strengthening the accounting profession in both countries, while adhering to the principles of the International Federation of Accountants and the International Organisation of Supreme Audit Institutions.

CA Sri Lanka will offer its expertise to the Maldivian government, while providing necessary technical assistance to the AG's Office particularly in relation to International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA), and setting up a Professional Accountancy Institute in the Maldives. ■

CA Sri Lanka inducts 544 new Chartered Accountants at 2015 convocation



Boosting the country's accounting profession, CA Sri Lanka achieved a new record by inducting 544 new Associate Chartered Accountants (ACAs) at its 2015 convocation.

The convocation was held under the patronage of Mr. Ajith E Tudawe, Chairman of Ceylon Hospitals PLC (Durdans Healthcare Group) and Group Director of Tudawe Brothers Ltd., and Mr. Arjuna Herath, President of CA Sri Lanka at the BMICH Colombo on 10 September 2015.

The new chartered accountants were officially granted associate membership during the convocation, which also signified the completion of their professional qualification in chartered accounting at CA Sri Lanka.

This is the first time in the Insti-

tute's 55-year history that over 500 new ACAs were inducted at a single convocation. This record is a result of the groundbreaking CA syllabus launched last year and the three case study exams conducted by the Institute.

Extending his congratulations to the new members, Mr. Herath said that Members of CA Sri Lanka command respect across the world, and locally CA Sri Lanka members give leadership and sit in the nerve centre of organisations in their professional capacity as accountants. "We also have a strong international presence with over 30 percent of our members located in 42 countries across all continents. Hence, opportunities are immense for your career progression both here and abroad," he said. ■



Over 25 teams compete at the CA Sri Lanka Cricket Fiesta

The annual Members Cricket Fiesta organized by CA Sri Lanka was held at the Bloomfield Grounds on 8 August 2015. A total of 25 teams took part in the day-night cricket fiesta.

The team 'Unstoppable' was adjudged the winners, while the 'CA Smashers' came in as the first runners up followed by 'SLIC Gindara' a second runners up. The event, which was organized by the Member Relations Committee for the fourth time, also features a friendly encounter match between the CA Sri Lanka Council and the AAT Council.

Members and their families were entertained by DJ music, fireworks and food stalls, as well as face painting and a special children's play area. ■

Update

CA Sri Lanka hosts IFAC President and CFO's visit to Sri Lanka

President of the International Federation of Accountants (IFAC) Ms. Olivia Kirtley and Chief Financial Officer Mr. Russell Guthrie were given a grand welcome at CA Sri Lanka on Sunday evening (26 July 2015) when they visited the institute for a reception dinner hosted by CA Sri Lanka in honour of Ms. Kirtley.

Ms. Kirtley and Mr. Guthrie were welcomed to the institute and were invited to light the traditional oil lamp. CA Sri Lanka President Mr. Arjuna Herath, Vice President Mr. Lasantha Wickremasinghe and CEO Mr. Aruna Alwis were at the institute to welcome Ms. Kirtley and Mr. Guthrie.

IFAC is the world apex body of the accounting profession.

Ms. Olivia Kirtley and CFO Mr. Russel Guthrie, who are on an official visit to Sri



Lanka, paid a courtesy call on Prime Minister Ranil Wick-

remesinghe on Tuesday, 28 July 2015, at Temple Trees. During the meeting, Ms. Kirtley explained the role of IFAC in developing the profession and helping to maintain the standard of local bodies at an international level. Matters in connection with the progression of the accounting profession in the Sri Lankan context were also discussed at length.

President of CA Sri Lanka Mr. Arjuna Herath, Vice President Mr. Lasantha Wickremasinghe, CEO Mr. Aruna Alwis, Vice President of the South Asian Federation of Accountants (SAFA) Mr. Naeem Akhtar Sheikh,

President of CMA Sri Lanka Prof. Lakshman R. Watawala, Chairman of CIMA Sri Lanka Mr. Vipula Gunatilleka and CIMA Regional Director Mr. Bradley Emerson were also present at the meeting. Ms. Olivia Kirtley also met the Minister of Finance Hon. Ravi Karunanayake on 28 July 2015 to discuss the role of IFAC in enhancing the accounting profession in Sri Lanka.

IFAC CFO Mr. Russel Guthrie, Secretary to the Ministry of Finance Dr. R H S Samarasinghe, President of CA Sri Lanka Mr. Arjuna Herath and CEO Mr. Aruna Alwis were also present at the meeting. ■



Update

CA Sri Lanka awards 130 outstanding students with scholarships

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) recently rewarded 130 outstanding students, including the top achievers at the 2014 Advanced Level examinations, with scholarships to embark on a globally sought after career in chartered accounting.

The scholarships were awarded to a total of 30 students including the top 10 students from the four streams at the 2014 GCE A/L examinations and the district first in the commerce stream. They were awarded in the presence of Mr. Piyasena Ranepura, Secretary to the Ministry of Higher Education; Mr. Arjuna Herath, President of CA Sri Lanka; Mr. Lasantha Wickremasinghe, Vice President of CA Sri Lanka; Mr. B. R. L. Fernando, Chairman of the CA Foundation; Mr.



Aruna Alwis, Chief Executive Officer of CA Sri Lanka; and representatives from the corporate sector. A total of 60 scholarships were also awarded under the L.A. Weerasinghe scholarship scheme where students are waived off from paying all compulsory fees, and another 36 scholarships

were granted to business level trainees along with a Rs. 3000, a monthly allowance that will be paid for 18 months. The CA Foundation was established in 2010 with the aim of helping thousands of students from across the country to help realize their future ambition of becoming

chartered accountants. The foundation is tasked with awarding the scholarships every year, following an interview process by a committee of chartered accountants to choose exceptionally talented students annually based on their requirements and financial hardships. ■

Students who pursue CA Sri Lanka's BSc. Degree in Applied Accounting can follow internships at leading companies

Students who follow CA Sri Lanka's BSc. Degree in Applied Accounting have the opportunity to intern for one year with leading companies in the country.

The internship and skills development programme is a major component of the BSc. In Applied Accounting General/Special degree programme, which is also recognized by the University Grants Commission, and has been developed to ensure employable graduates with the required skills, competencies and industry knowledge to have a successful accounting career.

The internship and skills development component helps students reach their full potential as they pursue training at prestigious firms, while also gaining sufficient practical exposure in technical and professional skills.



Nilupul Weerasinghe, a student pursuing the CA Sri Lanka degree and currently interning at WNS Global Services, said, "I am currently studying for my second year, while simultaneously being employed at WNS Global Services. The flexibility of this degree

programme impresses me to a great extent. The student-lecturer interaction is much greater here in comparison to other universities; and the lecturers are always willing to assist, are very friendly and are flexible to students' requirements."

Another area Nilupul found rewarding was the ability to continue his studies through the exemption. "Even the course structure is comprehensive, including several modules with which students can specialize in accounting and pass out as professionals with the adequate skills to be employable," he added.

The BSc. in Applied Accounting degree is conducted by a fully-fledged faculty comprising qualified professors, senior lecturers and industry professionals who are experts in the area.

Furthermore, the lecturers provide guidance to students through a student-based learning environment.

Students who have successfully completed their local GCE Advanced Level or London Advanced Level (Edexcel/Cambridge) examination with three passes can register for the degree programme, while students who have completed the London A/L examination and are currently awaiting results can also register.

Additionally, professionals who are employed and have fulfilled the basic entry requirements can also follow the degree programme on part-time basis.

The BSc. in Applied Accounting degree also offers a range of exemptions for CA Sri Lanka, CIMA, ACCA, AAT and SLIATE HND qualifications. ■

Update

CA Sri Lanka launches integrated reporting implementation guide for corporate sector

In its capacity as the sole authority to promulgate accounting and auditing standards in the country, CA Sri Lanka unveiled the 'Preparer's Guide to Integrated Corporate Reporting', an illustrative implementation guide to help corporates produce comprehensive integrated reports.

The implementation guide, which incorporates relevant developments and emerging trends on integrated corporate reporting worldwide, was launched on 24 July 2015 in the presence of Mr. Thilak Karunaratne, Chairman of the Securities and Exchange Commission; the chief guest; and Mr. Yaya W Junardy, member of the UN Global Compact Board (UNGCB), the guest of honour at the event.

President of CA Sri Lanka, Mr. Arjuna Herath said that the institute has always been mindful of local and global changes and trends, and has taken every step necessary to adapt with these changes to



ensure corporate reporting in Sri Lanka remains both current and relevant.

"In our capacity as the national body of accountants and the national standard setter in financial reporting, CA Sri Lanka is committed to building the required trust in

financial markets. The role we play at a public level goes beyond facilitating reliable financial information, and the institute facilitates adequate reporting needs of investors and its stakeholders. In this context, CA Sri Lanka thought it was important to issue an implementation guide on Integrated Corporate Reporting to ensure that annual reports produced by corporate entities in this country fulfil the expectations of investors and other stakeholders. This implementation guide will facilitate the preparation of annual reports that are consistent, comparable, possess greater clarity and indicate value creation that takes place in the enterprise," President of CA Sri Lanka Mr. Arjuna Herath said.

He also disclosed that the guide incorporates principles enunciated by the International Integrated Reporting Council, Global Reporting Initiative and UN Global Compact, thereby providing a comprehensive framework for corporate reporting with greater transparency and accountability relevant to all stakeholders and society.

Chairman of the CA Sri Lanka Integrated Corporate Reporting Committee, Mr. Asite Talwatte emphasized that integrated reporting has gathered momentum, acceptance and adoption in many capital markets, with Sri Lanka too being an early adapter with several large listed corporates adopting the International Integrated Reporting Council framework.



“CA Sri Lanka took the initiative to set up a Committee to deliberate the fundamentals of the framework in a Sri Lankan context, to set the foundation for a concise and yet comprehensive communication of how an organization’s value creation strategy, business model, performance, governance, risk management and outlook could be presented to demonstrate how value is created to stakeholders in the short, medium and longer term,” he noted.

Mr. Talwatte emphasized that the implementation guide also recognizes the co-existence of integrated reporting, sustainability reporting and financial reporting alongside strategy, governance and risk management to provide sustainable value and capital enhancement. “Under these guidelines integrated reports will encompass key performance indicators in an integrated, comprehensive, cohesive and concise manner. We expect this guide to take away the mystique of integrated reporting, enabling a wider group of corporates to embark on this journey of inclusive, responsive, relevant and reliable corporate reporting.”

Meanwhile, in a special message featured in the CA Sri Lanka guide, Executive Director of the United National Global Compact Mr.

Georg Kell said, “As business has gone global, it’s relationship to society is changing fundamentally. The ability to proactively manage environmental, social and governance issues is increasingly critical for long-term success, and a growing number of companies, investors and policy makers understand the importance of transparent reporting on these issues. Integrated reporting is rapidly becoming indispensable for companies to navigate this transition.”

Mr. Jonathan Labrey, Chief Strategy Officer of the International Integrated Reporting Council (IIRC), welcoming the publication said, “The IIRC hopes that this document will support and encourage business in Sri Lanka, as they begin the journey towards (IR) adoption. It is clear that the momentum towards the adoption of (IR) globally is building, and organisations such as CA Sri Lanka are crucial in offering practical tips as businesses evolve their reporting to communicate a clear, concise and integrated story that explains how all of their resources are creating value.”

The launch ceremony also saw the participation of Vice President of CA Sri Lanka Mr. Lasantha Wickremasinghe, CEO of CA Sri Lanka Mr. Aruna Alwis and members of the corporate community. ■

CA Sri Lanka strengthens its presence globally with chapter in Kuwait



CA Sri Lanka recently inaugurated yet another overseas chapter in Kuwait as it continues to strengthen its presence globally.

The chapter was officially opened in the presence of CA Sri Lanka President Mr. Arjuna Herath, the acting High Commissioner of Sri Lanka in Kuwait, office bearers of several Sri Lankan associations, over 40 members of the institute, representatives of the Kuwaiti corporate community and managing partners of leading audit firms. Speaking on the importance of establishing overseas chapters, Mr. Herath said that although CA Sri Lanka takes pride as a national body, the institute commands an international outlook, with a significant presence at a global level. “CA Sri Lanka is recognized by international accounting professional organizations as world class.”

He also emphasized that of the 4,600 members at present, over 30% serve in overseas positions spanning some 40 countries, which is a significant achievement for a local accounting body. “Professional development is imperative if one is to enjoy success in today’s complex and evolving world; therefore, we understand the importance of overseas chapters in countries where a significant number of our members are present. The main aim of our chapters, including the chapter in Kuwait, is to enhance professional competencies through CPD programmes for CA Sri Lanka members; provide an opportunity for social and community interaction; advocate and promote the value that members add to the business; and work closely with the members and the Sri Lanka community in Kuwait,” Mr. Herath said.

He also expressed hope that the CA Sri Lanka chapters can be an important platform that could help position Sri Lanka in the world by facilitating trade and investments between Sri Lanka and the respective countries.

President of the CA Sri Lanka Kuwait Chapter Mr. Sajad Abdul Cader said that, with the establishment of the chapter, chartered accountants in Kuwait will be united locally and the chapter will be used by CA Sri Lanka as the sole window to engage with members more closely for its future activities. “The strategic initiatives include redefining Sri Lanka as a knowledge exporter, being the foundation and acting as liaison for Kuwait-Sri Lanka business initiatives, establishing an examination center, and looking at the possibility of following compulsory training for aspiring CAs working in Kuwait; thereby offering a solid platform for continuous professional development of members,” he said.

Chief Executive Officer of CA Sri Lanka Mr. Aruna Alwis said that a large Sri Lankan community works in the Middle East, and a significant contribution to our foreign exchange comes from professionals hailing from multiple sectors, including chartered accountants. “Therefore, it is imperative that we enhance the standing of our professionals in this region, so they can enjoy greater success in their profession, apart from playing an important role in helping develop our national economy,” he said. He added that, apart from Kuwait, CA Sri Lanka also established a chapter in the United Arab Emirates this year, and plans are underway to establish chapters in several other countries. ■

Update

CA Sri Lanka Strategy Summit educates corporate leaders on the important nexus between creativity, innovation and strategy



Success doesn't come overnight, nor does it happen by accident. To achieve success and sustainability, businesses must create, innovate, strategise and execute the plan with diligence.

Seven internationally renowned speakers on strategy addressed Sri Lankan and regional business leaders on the importance of creativity, innovation and strategy; and how leaders can strategise and execute a well-thought-out plan to achieve long-term success at the Strategy Summit organized by the Business School of CA Sri Lanka on 29th and 30th July 2015 at the Mount Lavinia Hotel.

"The lack of innovation is perhaps the number one reason why businesses fail," said Greg Bernarda, who works with individuals, teams and organizations on strategy, creativity and innovation.

"We build something that nobody wants. Even if we spend years building it, there is no point if nobody wants it," he noted, while

emphasizing the need to understand the requirements and aspirations of customers. "We must create value for customers." Bernarda consults for companies such as Colgate-Palmolive, Nokia Group, Volkswagen, Harvard Business School and the World Economic Forum.

He stressed that initiatives such as the Xerox machine, Google, Facebook and Airbnb are all successful initiatives today because they were a requirement. "Business plans are great when there is creativity," Bernarda added.

Vusi Thembekwayo, who is known globally as the 'Rock Star of Public Speaking', citing grand prix motorcycle racing (MotoGP) as an example, said that in the current business context, it's not about how fast one can go in a straight line, but how to manoeuvre and compete at all corners.

"In today's business, it's not about how fast you can go straight, but how well you can do when markets are

growing; and competitors are weak, not innovating and not thinking out of the box. Instead, it's about whether or not you can compete at corners and whether or not you can compete at the edge of chaos," Thembekwayo noted.

David Avrin, popularly known as the 'Visibility Coach' and a well-known international speaker, emphasized that the current trend is no longer about why a person or an organisation is a 'good choice', but rather why they are the better choice.

He stressed that, unlike in the past, the modern day consumer is educated, and it's not about informing or persuading, but convincing them. "You must stand out in a way that will make someone speak or think about you," Avrin said, adding that, while market share is important, another important factor is mindshare. He also said that the road to success can depend on doing one good thing. "You have to

be known for just one good thing. There are lots of ways to do things right. Stand out in an unexpected way, and be very very visible," he advised. "Eventually, it's not about who you know, but who knows you," Avrin, who is also an acclaimed author, added. Jeroen De Flander, known as one of the world's most influential thinkers on strategy execution, said that it is always important to reach for the head, heart and hands of the consumer.

He emphasized that strategy execution covers eight areas: strategy focus, strategy communication, initiative management, individual objective setting, skilled managers, support for managers, engaging people & performance and a performance-driven culture, and performance-related pay.

"People need to be aware," he said, adding that a successful strategy also depends on rethinking and reevaluating on a regular basis.

Andrew Grant, who has served in managerial positions for a wide range of Fortune 500 companies, disclosed that creativity was imperative if businesses were to come up with the best strategy. “Originality is a must. You must focus on something that no one else can come up with,” he said.

Grant, CEO of Tirian International, which specializes in organization innovation through strategic leadership and team development, also noted that although children are very creative in school, they lose this creativity, and attributed a number of environmental factors that kill creativity.

“Creativity is linked to strategy, and is important for a successful strategy execution,” he added.

Sri Lanka’s very own Ravi Fernando, Operations Director at the Malaysian Blue Ocean Strategy Institute and recipient of the “Global Strategy Leadership award” at the World Strategy Summit, speaking on the lack of Sri Lankan brands in the global market, claimed that Sri Lanka is caught in a red ocean commodity trap that prevents it from creating new market places. “We are happy to be complacent and just export our products instead of creating brands,” he said.

He warned that if Sri Lanka doesn’t get its act together, it will soon lose out, because more and more countries and companies are taking competition much more seriously, and are developing innovations that were unthinkable at one point. He cites the 3D printer as one such innovation. Fernando disclosed that Sri Lanka has its very own

The CA Sri Lanka chapters hope to be an important platform to help position Sri Lanka in the world by facilitating trade and investments with the respective countries where the chapters are established.

black gold, ilmenite, and instead of branding and selling it, we are exporting it to other countries, who instead brand and sell it. He added that Sri Lanka also possesses graphite reserves, but we are not branding it and marketing it as we should. According to Fernando, by just implementing a simple processing step, Sri Lanka can earn billions of dollars, as Sri Lanka stakes claim for among the best ilmenite and graphite in the world.

“If Sri Lanka needs to create market spaces, it has to eliminate the commodity and bulk mindset,” he advised. Fernando also noted that Sri Lanka must create a global mindset by scaling up processing capabilities.

“As a country, we are not short of talent and resources, but we are short of the leadership to see this talent and harness it,” Fernando added.

Dr. Amit Kapoor, who delivered the final session at the two-day summit, emphasized that it was important to create

unique brands. “If you don’t create brands of your own, you will go nowhere,” said Kapoor, President and CEO of India Council on Competitiveness, and the Chair for the Social Progress Imperative and the Shared Value Project in India.

“You don’t need large conglomerates or laboratories to come up with something innovative. Skype was developed in a small room by two students,” he maintained, while disclosing that most French-branded perfumes are actually developed in India.

Arjuna Herath, President of CA Sri Lanka, in his welcome speech emphasized that the institute in its capacity as a professional organisation and the national body of accountants was keen to enable the country become a destination for investment.

“Our knowledge and literacy is very high in comparison to other countries in the region, and we have good IT skill levels, but where are we today? I think our answer lies in strategy,” he said, adding that innovation and strategy are important areas to enhance Sri Lanka’s standing and help achieve holistic success.

Russell Guthrie, Chief Financial Officer of the International Federation of Accountants (IFAC), who was a special guest at the summit, emphasized on the greater role accountants can play in contributing towards the strategy of an organisation.

“We are trained to have a very deep financial knowledge and we are trained to be good technicians, so we do have a good understanding of business from beginning to end,” Guthrie added. ■

Ethics and Disciplinary Committees

The Ethics Committee received and inquired into six complaints during the period of 1 January 2014 to 30 June 2015. Out of six cases, four were dismissed and the remaining two cases are still being inquired. These complaints were primarily regarding the alleged violation of professional conduct as stated in the Second Schedule of the Institute’s Act of Incorporation.

Disciplinary Committees

During the period, on the recommendation of the Ethics Committee, four Disciplinary Committees were appointed. Three of the Disciplinary Committees concluded its proceedings and recommended that the Council take appropriate action. Based on this, the Council communicated the outcome to the complainants and the respondent members.

The three Disciplinary Committee proceedings that were concluded related to the violation of the laid-down procedures in accepting an assignment for professional services.

The Council warned the respondent members to adhere to all requirements as stated in the Act when accepting an audit assignment, and in the event any further complaint is made against them, the Council would take immediate steps to suspend and/or dis-enroll their membership. ■

Update

First Capital Holdings powers 36th National Conference of Chartered Accountants with gold sponsorship



First Capital Holdings PLC, a leading investment bank in Sri Lanka, recently came onboard to power the 36th National Conference of Chartered Accountants with a gold sponsorship.

The conference, which will be held from the 4th to the 6th of November 2015, is CA Sri Lanka's flagship event. It is one of the most sought after events in the country's corporate calendar, attended by high profile business leaders and chartered accountants, including chairmen, directors, CEOs, CFOs and partners.

This year's conference will be held on the theme 'Collaborate to Compete', and is expected to attract around 1,500 participants. The conference, which will be held at BMICH Colombo, will comprise two days of technical sessions.

Chief Executive Officer of First Capital Holdings PLC Mr. Dilshan Wirasekara said, "We at First Capital are delighted to sponsor a benchmark event such as the National Conference of Chartered Accountants. We believe this forum is being held at the right moment. As Sri Lanka's capital market enters

the next phase of growth, the theme of 'Collaborate to Compete' becomes significant to the industry."

"In our commitment towards becoming the country's leading investment bank, we are constantly seeking to sharpen our competitive edge by collaborating with our investor base, regulatory authorities and governing bodies in offering innovative investment solutions." He added.

This is the first time, First Capital Holdings PLC is onboard as a gold sponsor.

President of CA Sri Lanka Mr. Arjuna Herath said that over the years the conference has built a reputation as a business summit that focuses extensively and spurs insights into broad economic and business issues, apart from its core emphasis on finance-related topics.

"Every year, we attract some of the leading companies in the country who come onboard as sponsors for this important corporate event. I take pleasure in welcoming First Capital Holdings PLC as a gold sponsor this year," Mr. Herath said. ■

IFAC President meets students & lecturers of accounting bodies



President of the International Federation of Accountants (IFAC) Ms. Olivia Kirtley met with the students and lecturers of CA Sri Lanka, CIMA, CMA, ACCA, AAT and universities on the morning of 27 July 2015 at the Institute of Chartered Accountants of Sri Lanka for an interactive session on 'Corporate Governance, Ethics and Accountancy Education'.

During the session, Ms. Kirtley also spoke on IFAC's strategic priorities for 2015 and global trends in the profession, in addition to

engaging in a question and answer session focused on accountancy education.

The welcome speech was delivered by CA Sri Lanka CEO Mr. Aruna Alwis. The panel discussion comprised of IFAC President Ms. Olivia Kirtley, IFAC CFO Mr. Russell Guthrie, Partner of Ernst & Young and Chairman of Education & Curriculum Development Committee of CA Sri Lanka Mr. Manil Jayasinghe, and Head of Group Internal Audits of Brandix Lanka Limited Mr. L. L. Suranga Indunil. ■

CA EVENT CALENDAR

Budget Seminar

To be informed in due course (October/November)
Contact: Tax Division
(2352000 Ext. 1407)

36th National Conference of Chartered Accountants

4th-6th November 2015
Contact: Wayomi Gunathilaka (2352000 Ext. 1441)

MBA Convocation

20th November 2015
(4.30pm)
Contact: Business School
(2352000)

Training Partners Awards Ceremony

20th November 2015
Contact: Training Division
(2352000)

Annual Report Awards Ceremony

03rd December 2015
Contact: Chathurani Jayanetti (2352000 Ext. 1456)

September intake now on for the BSc. Applied Accounting degree approved by UGC

Although the percentage of those who qualify increases every year, opportunities available for students to enter university are very low given limited educational facilities. CA Sri Lanka has filled a much-needed gap in education by offering the BSc. Applied Accounting degree.

Approved by the University Grants Commission (UGC) of Sri Lanka, the three-year degree moves away from the traditional method and encourages self-study by students, and is designed to sharpen their soft skills, communication and presentation skills, and the use of technical methods. This ensures that the student is a well-rounded graduate, fully equipped with entrepreneurial capabilities necessary for the world of business. CA Sri Lanka

also offers degree scholarships for students who have performed exceptionally well at the local and London A/L Examinations. Furthermore, students who are in their third year of the course will be integrated into some of the country's leading companies for the purpose of 'industrial training'.

Registrations are currently open for the September 2015 intake, which is offered on full-time and part-time basis. Loan facilities have also been arranged with leading banks in the country to enable students to follow this degree program. CA Sri Lanka's BSc. degree in Applied Accounting has also received endorsements from leading universities abroad such as Australia's La Trobe University and CPA Australia. ■

People's Insurance and Assetline Leasing onboard as training partners



Two leading companies, People's Insurance Ltd and Assetline Leasing Company Ltd came onboard to further boost CA Sri Lanka's training partner portfolio. At a ceremony held at the Institute's Colombo 7 premises, President of CA Sri Lanka, Mr. Arjuna Herath awarded the Business & Corporate Level Training Partner Certificate to People's Insurance's Chief Operating Officer Mr. Nimal Perera and Senior Manager of Finance Mr. N. D. P. Somarathna. Mr. Herath also awarded the Training Partner Certificate to Mr. H. M. A. Senevirathne, Director/Chief Executive Officer, and Mr. R. Rajeshkumar, Manager of Finance and Accounting, of Assetline Leasing. Accordingly, People's Insurance and Assetline Leasing will provide practical training to students who are following CA Sri Lanka's chartered accounting qualification at the business and corporate levels. Vice President of CA Sri Lanka Mr. Lasantha Wickremasinghe, Chairman of the Training and Development Committee Mr. Manil Jayasinghe, Chief Executive Officer of CA Sri Lanka Mr. Aruna Alwis, and Director - Education and Examinations Mr. Harsha Gunasena were also present at the event. ■

CA Sri Lanka launches novel e-learning certificate course on SLFRS



CA Sri Lanka recently unveiled an online certificate course on the Sri Lanka Financial Reporting Standards (SLFRSs), designed for the professional advancement of accounting and finance professionals in Sri Lanka and overseas.

The online course was launched in the presence of Mr. Emanuel Salinas Munoz, Programme Leader - Growth and Competitiveness of the World Bank. He commented, "In today's world, online education is rapidly gaining importance and will be one of the main channels to educate people. The potential for mass online courses is widely recognized as part of the future in the provision of education, and we are pleased to see that CA Sri Lanka is adapting to this modern learning technology."

He also applauded CA Sri Lanka for being among the first countries in South Asia to adopt the IFRSs. Mr. Munoz also highlighted that, with the launch of the e-learning course, CA Sri Lanka has proved that the accounting profession is also good at innovation.

President of CA Sri Lanka, Mr. Arjuna Herath said that every effort has been taken to ensure that all implementation with regard to financial reporting, auditing standards and best practices in corporate governance has been carried out in true spirit and as effectively as possible.

The SLFRS Bound Volume 2015 was also launched at the event, and Partner of KPMG Mr. Suren Rajakarier gave a detailed overview on the 'Latest update on SLFRSs'. ■

Update

CA Sri Lanka-qualified chartered accountants are known for their honesty and integrity

Chartered accountants are well known as a brand of unique and versatile professionals sought after both locally and globally. However, CA Sri Lanka-qualified chartered accountants are known and respected, and are in demand for their honesty, integrity and high work among other notable skills.

CA Sri Lanka Member Mrs. Shantha Fonseka, FCA, who is now retired and domiciled in Sydney, Australia, attributes the demand for Sri Lankan-qualified chartered accountants to the rigorous training they had to undergo at audit firms for four years and the technical knowledge imparted by their study facilitators.

"We had to submit mandatory tutorials that were sourced from Foulks Lynch, a company in London. We had the advantage of past question papers known as chartered telephones, also from London, which helped us prepare. Later, the tutorials were locally prepared by our Director of Studies Mr. A T Benedict. His directorship was followed by Miss Piyaseeli Jayaratne who continued the dedicated service for our benefit," she said.

The training was a value addition that helped them progress and go overseas. Mrs. Fonseka, a former finance manager at a pharmaceutical company in Australia, said that Sri Lanka-qualified chartered accountants were very much in demand in countries like Zambia, Fiji and other similar developing countries in the early 70s due



to the quality of their training. "We were respected for our high quality of ethics, work output, honesty and integrity, as well as good command of the English language, as our language of study was English. We were like the ambassadors of the institute," she added.

Following a work stint in Fiji, she along with her husband Rienzie Fonseka, also a chartered accountant, was transferred to the Australian head office of the company they worked for. "The only qualification we had was the

"The training we underwent was absolutely super; it was rigorous and more like a school, very disciplined. Our principal at the audit firm was very tough, but gave us very good training,"

chartered accounting qualification from Sri Lanka, and we were recognized solely for our performance and abilities, which were due to the CA qualification," she said.

However, Mrs. Fonseka's journey to be a recognized chartered accountant didn't come easy, and required a lot of hard work, commitment and dedication. "The four years of articleship I underwent at Lawrie Muthu Krishna and Company is what helped me to excel. The chartered accounting qualification is respected and the institute is a brand in itself, and our senior principal Mr. Kandasamy was equally committed to ensure that we excel in our work, as ultimately people rely on what we say," she said.

"The training we underwent was absolutely super; it was rigorous and more like a school, very disciplined. Our principal at the audit firm was very tough, but gave us very good training," she said.

"The chartered accountancy profession is a prestigious one. We were chosen to work in audit firms as unpaid interns after a vigorous application process that involved an interview and an introductory course, followed by an exam. This allowed us to learn from the best practicing accountants (principals) in these firms. During our time, only seven of us passed the final exam. It was not about the numbers, but the quality," she said. Mrs. Fonseka said that punctuality was a must during her articleship at the audit firm. "If we got late, we were called in to give an explanation. We worked late. We couldn't hang on the phone talking for long as well," she said.

"Even when we go to a client's office, we needed to adhere to a proper dress code and behave properly, because the client reports back to our principal about our conduct. If we did not conduct ourselves in accordance with the necessary ethical standards, then the principal will not sign the document that allows us to sit for our exams; this meant delays in the completion of our study," Mrs. Fonseka noted.

She said the rigorous training she underwent at the audit firm helped her perform well at commercial establishments later on. "I have no regrets in all the hard work I had to put in and I am proud to be a member of the institute." She added that all members of the institute must act as ambassadors of CA Sri Lanka. ■

TECHNOLOGY THAT TRAVELS

Being away from the luxuries at home is one of the biggest drawbacks of frequent travel. But now you can get the best of both worlds.

Today, people are taking their business, leisure and passions around while travelling, and they prefer to do so while enjoying the comforts of home. From a power supply to a camera that can literally be attached to you wherever you go, technology can now fit into your travel bag. We have compiled a list of items that will keep you comfortable and connected no matter where you go. These gadgets may not be the newest in the market, but they are either available on the ground or can be shipped to our resplendent isle.

BY AVANTI SAMARASEKERA

Noise-cancelling headphones Harman Kardon NC

It may seem trivial, but on a long and noisy flight, noise-cancelling headphones can be a godsend. From Sennheiser to AKG, there are many good brands and versions available in the Sri Lankan market. These cans work via advanced electronics that sense the surroundings and reduce the ambient noise to enable a truly noiseless listening environment.

The Harman Kardon NC's over-the-ear model is different to the traditional

on-ear/in-ear noise cancelling models, but the built-in rechargeable battery that powers the noise cancellation (NC) circuitry ensures impressive sound quality. The headphones are also versatile, as they fold flat and come with a detachable cable that can all be neatly packed into its carrying case.

It is also a plus that the Harman Kardon NC produces sound with or without the NC turned on (when the battery dies, they keep playing).



Price: Rs27,990

Available on Amazon.com and at Abans (Kollupitiya, Race Course or The Arcade – Independence Square)



Camera

GoPro Hero4 Silver

Features include 1080p60 and 720p120 video, 12MP photo quality with up to 30 frames per second, built-in Wi-Fi and Bluetooth, and Protune for photos and video. It's amazing what this pocket-sized device can do. If you are a travel junkie always on the go, the GoPro is a must have.

The GoPro is the ultimate action sports camera with a whole host of accessories that will leave you amazed at its sheer portability. From the headstrap and the Handler to the chest harness (Chesty) and handlebar/pole mount, it will go everywhere you go, without any additional weight.

The GoPro HERO4 Silver combines versatility and high-performance capture with the convenience of a touch display. It's waterproof, can take some pretty hard knocks and video quality is just a notch under a regular DSLR.

Price: Rs63,500

Available at Open Road Equipe

Headphones

Bose QuietComfort® 25

Another option that recently entered the Sri Lankan market, albeit at a heftier price, is the Bose QuietComfort® 25. But the offer is worth the price. The QuietComfort® 25 was designed for three things - better sound, comfort and portability. Bose is known for its deep, powerful and balanced sound, and the noise-cancelling QuietComfort® 25 gives it an added edge. No matter

how noisy the world around you gets, it will be just you and your music. The lightweight ear cushions that allow comfort for longer listening also add an extra level of quiet by sealing out the noise. The inline microphone/remote puts music and call controls at your fingertips. The headphones are designed for Apple models, while a version is also available for Samsung and Android devices.



Price: Rs48,990

Available at Siedles



Power Silicon Power Portable

Are you constantly looking for a power source to charge your phone? If you are always on the go, chances are sometimes you will not be able to recharge your phone. Technology solved this problem with the introduction of portable power banks.

The Silicon Power P50 is a 5200mAh lithium-ion rechargeable battery. Plug in your smartphone and it'll charge up your battery - the Silicon Power P50 holds enough

to top up a Samsung S4 to 100% twice. There are two models in this series; Silicon Power P20 is built for portability and the P50 for high battery capacity. With a battery capacity of 2200mAh, the P20 is the size of a cigar and ideal for business people and travelers. The P50, on the other hand, offers high battery capacity of 5200mAh, and is equipped with dual USB ports, allowing users to recharge two different devices at the same time.

Price: Rs5,720

Available at Takas.lk

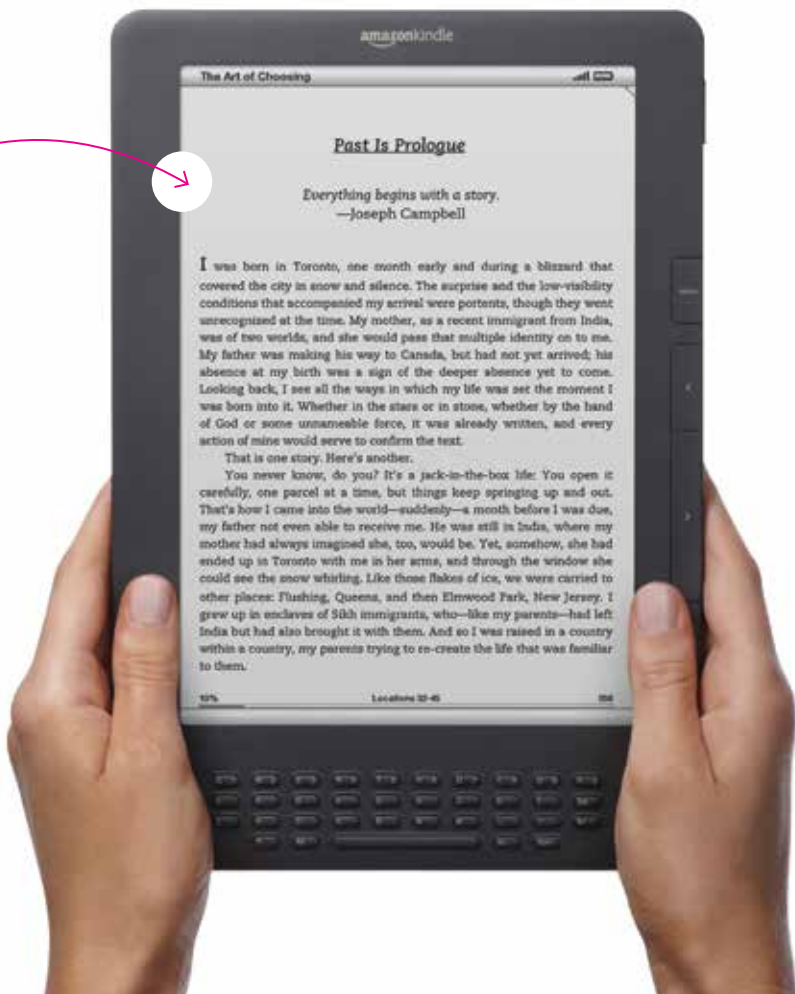
eReader Kindle

Even if you are a hardcore paperback fanatic, chances are you would have heard about the Kindle. A Kindle is an eReader launched by Amazon some 8 years ago. Despite competitors following close with similar devices, Kindle has enjoyed top position in the eReader market. Kindle is a lightweight device that fits into your pocket and reads like real paper with no glare, even in bright sunlight. The Kindle Store boasts of over 3.6 million e-books as of June 2015,

each downloadable in just 60 seconds via its built-in wi-fi. Kindle also has up to one-month battery life on a single charge. Additions to the product line such as Kindle Fire, Voyage and Paperwhite prove the eReader's growing popularity. Sri Lankans are slowly adapting to eReaders as opposed to lugging around paperbacks. While Kindle is not available at a particular store in Sri Lanka, Kapruka and Amazon deliver it to your doorstep.

Price: US\$65

Available on Amazon.com (or Kapruka)



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SESSION 1



SESSION 2



SESSION 3



SESSION 4

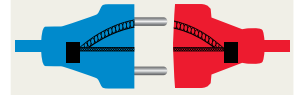


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SESSION 6 - COLLABORATIVE ROLE OF A CFO/FINANCE PROFESSIONAL MODERATOR - Mr. Suren Rajakarier
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SESSION 6



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Italy's Northern Capital

The second-largest city in Italy, Milan is the major economic centre of southern Europe.

Milan, Italy Prada Store located in the Galleria Vittorio Emanuele II which is a magnificent 19th century glass and iron covered gallery with shops in Milan. People standing and talking or walking around the store window display.



Founded about 400 BC, Milan (Mediolanum) was, after the decline of Rome, the capital of the Western Roman Empire for a couple of centuries - until it was overrun by the Lombards, a Germanic people. In the Middle Ages, it became a hub for pawning, money-lending and money-transfer - hence the term "Lombard Banks". It was also associated with textiles and clothing - the term 'millinery' comes from the city's name. Under the Visconti and Sforza families, Milan became



Santa Maria delle Grazie is a church and Dominican convent in Milan, northern Italy, included in the UNESCO World Heritage sites list. The church contains the mural of *The Last Supper* by Leonardo da Vinci, which is in the refectory of the convent.

a focal point of the Renaissance, attracting Caravaggio, Leonardo and other such masters. The city's financial sector played a big part in the diffusion to the rest of Europe of double-entry book-keeping: Luca Pacioli, the first person to write a work on the subject, was invited here by the Sforzas; and the Milanese Borromei bank opened a branch in Bruges, which spread the system in the Low Countries. Today it is once again the commercial and financial epicentre of Italy.

Churches

The heart of Milan is the Piazza del Duomo (Cathedral Square) in which is the cathedral, the Duomo di Milano. The third-largest church in Europe, seating 10,000 people, and containing 2000 statues, it was first built on an ancient church site in the 14th century, and added to until 1965. Beneath is the 4th century Battistero Paleocristiano, one of the oldest Christian structures in Europe. The roof, accessible to visitors, provides a wonderful vista of the city.

The fifteenth century church and Dominican convent of Santa Maria delle Grazie is a UNESCO World Heritage site. Its refectory contains Leonardo's iconic mural *The Last Supper*, which survived French soldiers and British and US bombers, the greatest of several masterpieces in the church, which is the cultural centre of the Dominican Order.

Other important churches are the Basilica di Sant Ambrogio, first built in the 4th century by

The heart of Milan is the Piazza del Duomo (Cathedral Square) in which is the cathedral, the Duomo di Milano.

St Ambrose and remodelled in the Romanesque style in the 11th-12th centuries; the 14th century Milan Charterhouse of the Carthusian order, the Certosadi Garegnano, rebuilt in the 16th-17th centuries in the baroque style; and San Maurizio al Monastero Maggiore, founded in the Lombard era on the basis of Roman buildings (and reconstructed in the renaissance and baroque eras), attached to a Benedictine convent - which is now the Archaeological Museum.

La Scala

The cultural centre of Milan is La Scala, Milan (Teatro alla Scala), built by the Austrian Empress Maria Theresa in 1778. It is one of the three top opera destinations in the World (besides Covent Garden and the Vienna State Opera), it is closely associated with Giuseppe Verdi, as well as Gioachino Rossini, Vincenzo Bellini, Maria Callas and Arturo Toscanini (and of course the fictitious Bianca Castafiore from the *Tintin* books). Part of the same complex is La Scala Museum, which contains musical instruments, paintings and mementos of great operas, composers and artists. Facing the opera house is the Piazza alla Scala, a garden-square centred on a large statue of Leonardo Da Vinci, who did much of his work in Milan.

Museums

The Archaeological Museum is housed in the former Benedictine convent of Monastero Maggiore di San Maurizio, which was built on the ruins of the old Roman circus, some of

which have been preserved and which form the basis of the ground-floor Mediolanum antiquities exhibition. The cellars contain Gandharan art as well. A new extension houses exhibits of ancient Palestine, Etruria and Greece. The prehistoric and ancient Egyptian collections are in the Castello Sforza.

The Leonardo da Vinci Science and Technology Museum, housed in the old monastery of San Vittore al Carpo, contains a splendid collection of models of the genius' scientific inventions. It also contains many other technological exhibits, covering topics such as communications, energy, materials, space and transport - the highlights of the last being a Second World War Maiale two-man submarine, a Gina (Fiat G91 fighter) and the diesel-electric submarine Enrico Toti.

The Castello Sforzesco (Sforza Castle) was built in the 14th century by the Visconti dukes. It was destroyed, but was rebuilt by Duke Francesco Sforza the following century. Its interior was decorated by several renaissance masters, including Leonardo.

Today it is the site of many museums, including the prehistoric and ancient Egyptian collections of the Archaeological Museum; the Pinacoteca del Castello Sforzesco, a picture gallery containing works of masters such as Bellini,

The Leonardo da Vinci Science and Technology Museum, housed in the old monastery of San Vittore al Carpo, contains a splendid collection of models of the genius' scientific inventions.

Canaletto, Corregio, Tintoretto and Titian; the Museod' Arte Antica, which contains ancient, mediaeval and renaissance sculptures, including Michelangelo's Rondanini Pietá; and the Museum of Musical instruments.

Other attractions

The Porto Giovia (Jovian Gate) was part of the Roman walls of Mediolanum. Near its site, Napoleon began to build his "arch of peace", the Arco della Pace, at the point where the brand-new Simplon Highway entered Milan. It was completed subsequently, being renamed Porta Sempione (Simplon Gate). The sprawling Parco Sempione (Simplon Park) was created so that panoramas of the adjacent Sforza Castle and Porto Sempione could be viewed from its precincts. It contains its own sculptural display as well as the Civic Aquarium of Milan. A large bronze statue of a horse, Gran Cavallo, can be found outside the Hippodrome, based on Leonardo's sketches for the world's largest equestrian statue - which was never made.

Brera District

The narrow streets and cafes of the "bohemian quarter" of Milan were once hotbeds of artistic and intellectual activity. Here can be found the Brera Academy of Fine Arts, the Brera Art



San Maurizio al Monastero Maggiore is a church in Milan, northern Italy. It was originally attached to the most important female convent of the Benedictines in the city, Monastero Maggiore, which is now in use as an archaeological museum.

Gallery, the observatory, the Braidense National Library and the Botanical Gardens. Nowadays it is notable for its great open-air markets and independent and more local fashion stores and avant-garde fashion houses.

Shopping

The place for luxury shopping is the late 19th century glass-and-cast-iron-roofed Galleria Vittorio Emanuele (nicknamed “Milan’s living room”), a shopping arcade connecting the Piazza alla Scala to the Piazza del Duomo. Its shops sell books, paintings, jewellery and haute couture. Its greatest attraction is a mosaic bull on the floor of the hexagonal core - folklore has it that spinning with a heel on the bull’s genitals brings luck. The Quadrilatero d’Oro (Golden Square) is the heart of Italy’s fashion sector. One of the world’s leading shopping areas, it hosts the headquarters of Armani, Dolce & Gabbana, Moschino, Prada and Versace. Via Monte Napoleone is the World’s sixth most expensive shopping street. However, it also has smaller-scale outlets giving new, vintage and second-hand off-runway designer items at tremendous discounts. Milan’s main shopping street, Corso Buenos Aires, which has the biggest concentration of retail outlets on a single avenue in Europe, consists of the type of high street shops found everywhere in Europe. Corso Vittorio Emanuele II, connected to the Via Dante pedestrian street by the Piazza San Babila, is the area of choice for most budget shoppers.

Cuisine

Milan is one of the world centres of culinary



Mall housed in a glass-covered 19th-century arcade with luxury clothing brands & upscale dining.

culture, catering to every palate on earth, and contains a large range of places to eat. When we think of Italian food, Pizzas and other dishes based on tomato and olive-oil - the tastes of southern Italy - generally come to mind. While these are available, however, Lombard cuisine uses rather more meat and butter - specialities being Risotto alla Milanese and Cotoletta alla Milanese. The traditional drink is wine, but beer is a speciality. Every evening, at 6-9 pm there is a traditional Aperitivo - a free appetiser, ranging from nuts to a three-course meal, accompanied by a cocktail, generally based on Chianti or Vermouth. For the homesick, there are several Sri Lankan restaurants.

Transport

Milan is well served by airlines. Milan Malpensa, Italy’s second biggest airport, handles flights from intercontinental destinations as well as European ones, and is Northern Italy’s major airway hub. Although 50 km north-west of the city, express trains and shuttle buses link it to Milan’s main railway and bus station. The main airport for European flights, Linate is linked by city bus and coach services to the centre. Low-cost and charter airlines use Il Caravaggio (Bergamo-Orio al Serio), linked to Milan by bus and (from Bergamo) train. Milan can be reached from European cities by trains, which mostly arrive at Centrale railway station, but also stop at other stations such as Porto Genova, Lambrate or Roggeredo. High speed trains, such as the TGV from Paris and the ItaloTreno, stop at Porto Garibaldi. The city can also be reached by coach, arriving at the Lampugnano bus station. Milan has some of the best transport infrastructure in the world (one of the cheapest in Europe), comprising bus, tram (including a few vintage cars) and metro (underground train) networks, on which up to two 6-10 year children, accompanied by an adult, may travel free. The city centre (within the mediaeval walls) contains most of Milan’s attractions, so walking is one of the best ways to see them and feel this wonderful metropolis. ■

Cotoletta is an Italian word for veal breaded cutlet. Various breaded meat dishes prepared in Latin America were inspired by the cotoletta and are known as milanesa.

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BOC's Leasing is one of the most convenient lease facilities in the country for motor vehicles ranging from cars to heavy vehicles. BOC Leasing offers a flexible rental scheme decided case by case to suit the customer's repayment capacity. Provided that the necessary documents are in order, the facility can be obtained within a few hours from a BOC branch anywhere in the country. Apart from the regular leasing scheme, understanding the lifestyle needs of professionals, the bank has formulated a special leasing scheme with extended privileges that match their capacity. Apart from a leasing facility for individuals, BOC Leasing has also extended its benefits for commercial purposes for corporates and SMEs to expand their businesses. Disbursement of the facility and the lease rental payment can be made at any BOC branch.

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BOC earned global recognition as one of the top 1,000 banks in the world (country rank No.1) as listed by "The Banker Magazine" (UK) in 2012, 2013 and 2014. The bank claimed its award as the only Sri Lankan brand recognized as one of Asia's Best Brands in 2013 by the Chief Marketing Officer's Council based in Mumbai, India. Brand Finance Lanka ranked BOC the country's No. 1 brand for the past seven consecutive years. The bank has passed exceptional milestones in recent years such as becoming the first to gain over Rs.1.0 trillion in assets. BOC has over 1,000 customer touch points all over Sri Lanka. Recognizing its achievements, Fitch Rating Lanka ranked BOC at AA+(lka), the highest rating awarded to a local commercial bank, and ICRA (Lk) awarded an AAA rating, the highest credit quality rating issued by ICRA Lanka. BOC maintains an international presence with branches in Chennai, Male, Seychelles and a subsidiary in London.

Focus On - Technical

Simplifying financial reporting for smaller entities



CA Sri Lanka unveils new Sri Lanka Accounting Standard (SLFRS) for Smaller Entities

CA Sri Lanka introduced a new Sri Lanka Accounting Standard (SLFRS) for Smaller Entities with the objective of providing a simple, cost effective financial reporting standard for small businesses. The requirements stated in the SLFRS for Smaller Entities recognise the size, level of complexity, availability of resources and their effect on cost effectiveness in the preparation and presentation of financial statements. The principles of presentation, recognition and measurement stated in this standard are simpler than those stated in SLFRSs and SLFRS for SMEs.

This SLFRS for Smaller Entities could be applied by an entity that is not any of the following:

- An entity that has revenue in excess of Rs100 million in the reporting period
- An entity that has equity in excess of Rs50 million at the end of the previous reporting period
- A company that is required to prepare group financial statements by the law relating to companies
- An entity that holds assets in a fiduciary capacity as one of its primary businesses

The standard includes, among others, the following simplifications:

- Complex requirements relating to financial instruments

are excluded

- Complex requirements relating to fair value, value in use and actuarial valuations are excluded
- Measurement of items are further simplified: For example, by the measurement of most leases on a straight line basis, the exclusion of overheads from the cost of inventory, the exclusion of borrowing costs from the cost of assets, the measurement of retirement gratuity at the amount payable if the employees leave on the reporting date, and the recognition of the cost of leave in the period in which leave is taken
- Changes in accounting policies and corrections of prior period errors to be presented as adjustments to retained earnings at the beginning of the reporting period, without the need to change comparative information
- Transition to the SLFRS for Smaller Entities has been made easier, by having the transition date as the beginning of the first reporting period of the financial statements prepared in compliance with SLFRS for Smaller Entities
- Requirements relating to disclosure substantially reduced;
- A statement of profit or loss and retained earnings to be presented in place of the statement of comprehensive income and the statement of changes in equity
- Not including requirements relating to activities and transactions not likely to be carried out by a smaller entity

The SLFRS for Smaller Entities will be effective in the Sri Lankan context from the financial periods beginning on or after 01 January 2016. ■



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