

the **Abacus**

INTELLIGENCE & INSIGHT FROM CA SRI LANKA

JUNE 2015 | WWW.CASRILANKA.COM

G22

Small and medium sized
practices transitioning to a
**SECOND
GENERATION**

Page. 24

ISSN 2279-3860



9 772279 386000

VOL.2 • ISSUE. 6

CA



THE INSTITUTE OF
CHARTERED ACCOUNTANTS OF SRI LANKA

WHAT EVERY CFO MUST KNOW ABOUT AGILE ERP.

JUST THIS.

The number of business opportunities out there is infinite. Becoming truly successful is all about focusing. And with IFS Applications, there are virtually no limitations to what you can do. Or become. A full-suite ERP system, it supports every aspect of your business, every process in your company.

www.IFSWORLD.com



FOR AGILE BUSINESS

**Talk to us for your Enterprise Resource
Planning (ERP) requirement**

Contact No.: +94 112379020 /

+94 112364400

email: IFSSLmarketing@ifsworld.com

the **Abacus**

CONTENTS

JUNE 2015

Features

COVER STORY

24 | G2 Small and Medium Sized Practices in Transition

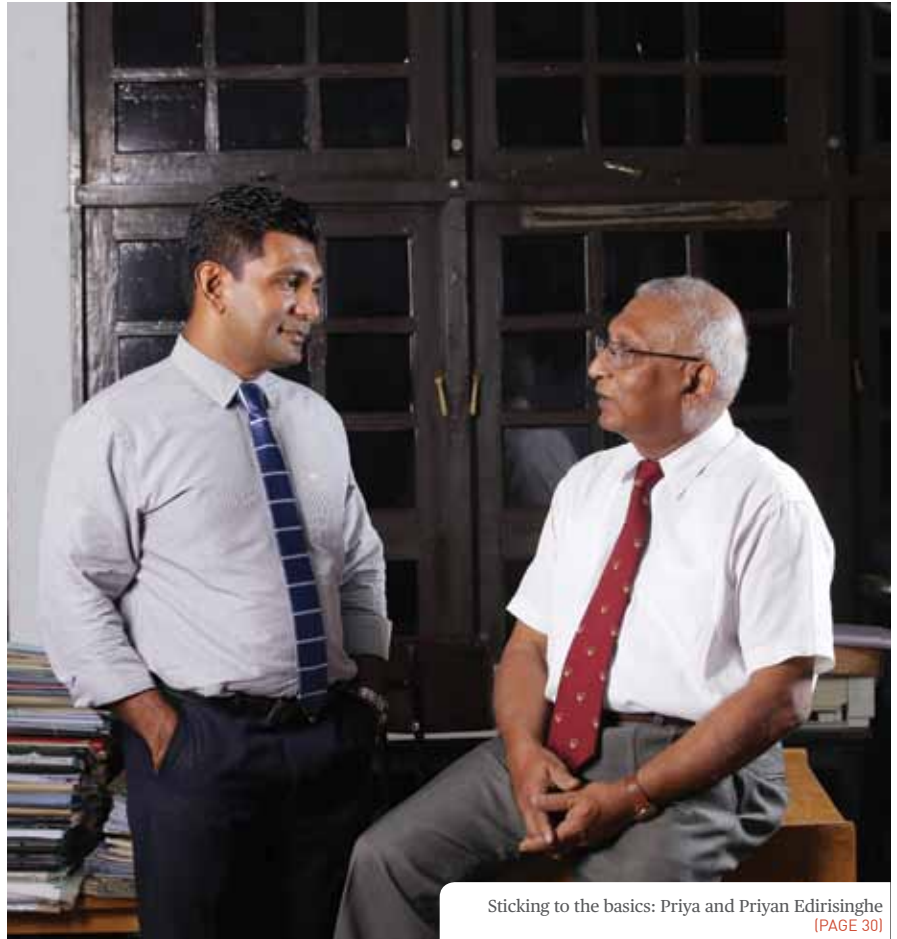
Small and medium sized practices (SMPs) are a critically important part of the profession, serving a vast majority of private businesses in the country in audit and consulting services. Often these SMPs are also family businesses like the clients they serve. Many SMPs that have operated for a few decades are now seeing the entry of a second generation of the family in to leadership.

26 | Differing philosophies blend to create dynamic synthesis: Nihal & Dinuk Hettiarachchi

Nihal Hettiarachchi still talks to his older clients, while his son Dinuk communicates with their second generation

30 | Sticking to the basics: Priya and Priyan Edirisinghe

The transition from father to son at Edirisinghe & Co is smooth because it is not direct



Sticking to the basics: Priya and Priyan Edirisinghe (PAGE 30)



Differing philosophies blend to create dynamic synthesis: Nihal & Dinuk Hettiarachchi (PAGE 26)



Over 80 corporate directors rewarded by CA Sri Lanka (PAGE 35)

the **Abacus**

CONTENTS

JUNE 2015



CA Sri Lanka kicks off mentoring programme to nurture chartered accountants (PAGE 36)



Vanishing act: how a global auditor failed to spot theft of 15% of Moldova's wealth (PAGE 14)



Sporting timepieces (PAGE 43)

14 | Periscope

Vanishing act: how a global auditor failed to spot theft of 15% of Moldova's wealth

15 | Perspective

The problem with rice farming

Sri Lanka's rice yields are improving and if they finally catch up with the rest of Asia Sri Lanka will be left with a large crop. It will then have to figure what its going to do with this extra rice



The problem with rice farming (PAGE 15)

35 | Over 80 corporate directors rewarded by CA Sri Lanka

36 | CA Sri Lanka kicks off mentoring programme to nurture chartered accountants

43 | Sporting timepieces

From racecar aficionados to ardent cricket fans, every sport has its own following. Watchmakers are capitalizing on their enthusiasm with sports-centric collections.

48 | Krakow: built on a dragon's den

Situated in the south of Poland, Krakow (Pronounced "cruck-off") was the capital of the country from the 11th to the 17th century and has a wealth of legend and history



Krakow: built on a dragon's den (PAGE 48)

Intelligence & Insight from CA Sri Lanka

Generation Two: client trust at the heart of SMP leadership transition

There isn't a universal definition of what constitutes a small and medium sized practice (SMP). However a vast number of members in practice are sole practitioners or in a partnership that is an SMP. Their economic role isn't confined to auditing. Many of these firms offer a diverse array of related services, including consulting, tax advisory and outsourcing of accounting and payroll. For small and medium sized businesses, who are their main clients, these firms make a critical contribution.

Many SMPs, like most of their clients, are family-owned firms. Leadership of SMPs is now passing to a second generation of the family at a time when the profession itself is seeing many changes. New and evolving accounting and auditing standards, greater complexity in compliance, and the challenges of a rapid economic transformation are just some of these changes. Typically SMPs form long-term relationships with their clients founded on trust.

SMPs successfully making this transition to a second-generation family leadership see the continuing relevance of their client relationships built on trust. As the businesses of SMP clients grow, demands for delivery and to be up-to-date with industry challenges will grow. SMPs we spoke to are readying themselves for these challenges.



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

© 2015 CA SRI LANKA. All rights reserved. No part of this publication may be reproduced or distributed in any form without the prior written permission of the publisher. The views and opinions expressed in this publication are those of the authors.

Blue Ocean Group of Companies

Outstanding Lifestyle and Exceptional Locations for Smart and Secure Investment in Sri Lanka



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

“The success of Blue Ocean Group of Companies in creating a growth environment, in turn helps them immensely to find effective solutions for global challenges which redefine the world’s development agenda,” says the Group Chairman S. Thumilan.

Today, a country like Sri Lanka with its rapid infrastructure enhancement face great challenges and choosing precise resources in specialized subjects is of high importance among them. The key to find such caliber is driven by effective diversity, strong policies and specialized skills where all sectors work together to discover new ways to conduct business. A flexible and creative business portfolio is the fastest and most sustainable way to reinforce the nation’s effectiveness on a global level.

There are many reasons for foreign investors to invest in property market in Sri Lanka. One is that property investments in Sri Lanka rarely incur losses these days. Their value appreciates at present due to the remarkable infrastructure development in the last ten years such as harbours, airports and highways as well as a range of city beautification projects. Colombo has been placed on top of the list of fastest growing cities in the world, an annual travel study by the MasterCard.

For foreigners who plan to retire or have already retired, Sri Lanka is ideal for making an investment by buying an apartment. Many of the condominiums are located in the capital and its suburbs. The warm sun light throughout the year in most part of the country and cooler climes in up country areas provide foreigners any type of climates they prefer.

Many of the foreigners who seek to buy properties in Sri Lanka to reside or invest in, do so

through local real estate companies or agents. Unlike in the past, Sri Lanka boasts many such companies and agents who assure you a reliable and quality service.

One of Sri Lanka’s most dynamic international conglomerates, the Blue Ocean Group of Companies engage in Real Estate, Construction, Engineering, Trading, Education, Corporate Consultancy and many other fields. We focuses on reaching potential markets through their international networks while enhancing and expanding their existing markets.

The sheer success of Blue Ocean Group is exclusively the result of our ability to provide unique services under one roof for our clients, based on our principles. Our group comprises about 30 companies that operate in various fields in Sri Lanka and abroad. Our main business fields are Construction and Real Estate, in which we possess global experience by finishing and undertaking groundbreaking constructions.

We operate under the leadership of the Group’s Founder and Chairman Mr. Thumilan. He is one of the most successful visionary entrepreneurs in Sri Lanka who holds the prestigious membership of the CA Sri Lanka, CIMA (UK), ACCA (UK) and CPA (AUS). While holding the Chairmanship of the Blue Ocean Group, he also serves as a consultant to several well-known establishments in Sri Lanka and overseas.

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.

In addition, The Group extended its portfolios and services further by acquiring yet another landmark construction, civil and electrical engineering company - Sisira Builders (Pvt) Limited. This highly reputed company was established in 1982 and completed many public and private civil engineering and electrical projects throughout the Island within the past three decades.

Our strength is our high-profile Chartered Architects, Chartered Engineers, Chartered Accountants and other Industry Professionals. Mr. Pathmathilaka, the Group CEO of Blue Ocean, is a renowned personality and well-known professional who has served as an Additional Secretary in the Ministry of Construction, Engineering Services, Housing and Common Amenities and as a Director General of Department of Buildings. His grand experienced and clear vision help lead our Group to the helm of the industry very fast. With such strong leaderships, we continue to grow with our every step consolidating our team under one roof.

With this growth, the group further strengthens its position and approach high revenue projects thereby assuring their brand an enviable position not only in Sri Lanka but also in the international market such as The UAE, the United Kingdom and Australia.

It is the leadership that counts most for the success

of businesses. Healthy relationship between the management and the staff of a company can take it to the peak of development. By taking over dozens of companies under one umbrella of the Blue Ocean Group, the Group Chairman S. Thumilan and his staff has already exhibited unique quality and strength that togetherness can bring in to any field.

Our assets grew in the past few years recording a turnover of more than billions via both public and private projects. We now engage in building private and public mixed project-portfolio which smoothens and stabilizes our financial flow and profitability. With this growth, we will further strengthen our position and approach high revenue projects thereby assuring our brand an enviable position not only in Sri Lanka but also in the international market as well.

Blue Ocean Group is an expert of 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 located in most prestigious locations in Sri Lanka. Those who invest in apartments built by Blue Ocean Group are assured of receiving a 20% higher than bank interest appreciation and rental income approx. of LKR 200,000. They also receive legal documents and deeds related to their purchase on time.

Like we have done in the past, our Strategic Corporate Planners have already projected the targets of the Group for the next five years. The Group members have scaled up the projected targets by now and have formulated the vision for the future. Starting from small and medium scale architectures in Mount Lavinia, the Group has already in progress and developing new luxury apartments in prime locations of Greater Colombo such as Wellawatte, Bambalapitiya, Kollupitiya and Nugegoda.

With these projects, Blue Ocean Group intends to meet the emerging high demand from foreigners and locals who seek apartments and residences at prime locations in Colombo. The homely ambiance and beautiful panoramas that foreigners seek most when they search for accommodation in foreign countries, they can now have by purchasing or renting an apartment from these unique Blue Ocean residential projects in our prime investment and high residential locations.

“As our customer base expands daily - locally and globally - we at Blue Ocean Group stands straight with a strong vision that will lead us to be the most respected, ethically sound and socially responsible company. I trust this vision will flourish through our achievements, whilst we continue to focus on acquisitions and mergers as well as strategic partnerships as parts of our overall business practice,” - the Group Chairman, Thumilan.

For Contacts:

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



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

LOCATION MATTERS

Finally, a Home That Makes Money Sense

Unsurpassed Luxury Living | Investment Property
Timeless Elegant Holiday Home

Blue Ocean™
GROUP OF COMPANIES

COMPLETED &
DEED
TRANSFERRED

A GREAT INVESTMENT
IN SRI LANKA'S
MOST DYNAMIC DESTINATIONS

Completed Projects

- No.01, Samudra Mawatha
Mount Lavinia
- No.48, Templers Road
Mount Lavinia
- No.03, College Avenue
Mount Lavinia

On-Going Projects

- No.30, Siripala Road
Mount Lavinia
8 Floors with 40 Units
Expected Completion - 9|15
- No.18, Retreat Road, Bambalapitiya
Colombo 04
7 Floors with 19 Units
Expected Completion - 8|15
- No.142/4, Galle Road, Kollupitiya
Colombo 03
5 Floors with 13 Units
Expected Completion - 8|15
- No.23, Moor's Road, Wellawatte
Colombo 06
10 Floors with 28 Units
Expected Completion - 6|16
- No.22, Boswell Place, Wellawatte
Colombo 6
10 Floors with 32 Units
Expected Completion - 6|16
- No.05, Railway Avenue
Nugegoda
8 Floors with 21 Units
Expected Completion - 7|16
- No.45, Alfred House Garden
Kollupitiya, Col 3
18 Floors with 72 Units
Expected Completion - 9|17

- No.06, De Alwis Avenue
Mount Lavinia
15 Floors with 62 Units
Expected Completion - 4|17

Upcoming Projects

- No.502, Havelock Road
Colombo 05
8 Floors Luxury Apartment
- No.08, Jayasinghe Road
Colombo 05
12 Floors Luxury Apartment
- No.06, 19th Lane, Kollupitiya
12 Floors Luxury Apartment



Our Own Construction Contractor
ICTAD AWARD WINNER FOR CONSTRUCTION EXCELLENCE

LINK Link Engineering
35 YEARS OF EXCELLENCE



AIKEN SPENCE
HOTEL HERITAGE
KANDALAMA



WATER BOARD (NWSD)
REGIONAL OFFICE COMPLEX
JAFFNA



MINISTRY OF ENVIRONMENT &
NATURAL RESOURCE
OFFICE COMPLEX

How to Pay ?

35% Down payment,
Balance by interest free monthly payments
up to 24 months or Bank Loan (**Conditions Apply)

How to Contact ?

www.blueocean.lk

+94 777 546 546 | +94 777 755 657
+94 777 755 323 | +94 777 402 070

No. 32, 1st & 2nd Floor, Galle Road, Dehiwala, Sri Lanka
Tel : +94 112 722 217 Email: ceo@blueocean.lk



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

How Do Covered People Invest in the Equity Market?

Unit Trusts are the Sri Lankan equivalent of mutual funds and provide an investing opportunity well worth exploring for covered personnel, including lawyers, accountants, bankers and auditors, by providing discretionary asset management similar in concept to that of a "blind trust".

An important implication of investing in unit trusts is that covered personnel are able to access the equity (stock) investments necessary for proper diversification across asset classes. Diversification is a crucial element in lowering overall portfolio risk and a must for any investor. The lack of access to this asset class for covered persons is a significant hindrance to the successful financial planning of such individuals. However, we have a solution.

JB Financial is an independent and privately owned investment management company, with over Rs. 8 billion in assets under management with a highly skilled research team, driven by global ethical standards and best practices. We strive to deliver competitive financial returns to investors. We work according to preset and pre agreed parameters to make portfolio decisions to buy and sell securities for a fund, without any further input or reference to the investor.

Frequently Asked Questions

Q: Is the Unit Trust structure suitable for covered persons?

A: Yes it is a suitable investment medium for covered persons such as professionals privy to undisclosed material information. As unit trusts are a passive form of investing (with a third party manager making decisions and holdings reported only after a lag)

they may be effectively considered a Chinese Wall erected to separate and isolate covered persons from those who make their equity portfolio investment decisions.

Q: I work as an auditor and I am privy to sensitive information, can I invest in the JB Vantage Value Equity Fund?

A: Yes you are eligible to invest in the fund as it operates similar to a blind trust. The investor is unaware of the fund holdings therefore no case can be made to show sharing of any actionable non-public information.

Q: My positions in various executive boards bring me in contact with non-public insights into companies. Can I invest in the JB Vantage Value Equity Fund?

A: Yes you may invest in the fund as sharing non-public insights will not influence the fund manager's decisions. Portfolio managers are required to substantiate all investment decisions, to the investment committee of the fund. The substantiation has to be based on public information.

Q: My leadership within my company (i.e. a bank) does not allow me to invest in equities, so I won't be able to invest in the JB Vantage Value Equity Fund, correct?

A: Incorrect. Professionals all around the world who hold leadership roles within companies face this situation. However, it is unfair for them to be deprived of diversifying into a major asset class such as equities. Discretionary blind trusts are the tools used by these individuals to gain exposure to these asset classes without scrutiny from regulatory bodies. Our fund is structured in a similar manner for this exact purpose.

Q: Say someone invested in the JB Vantage Value Equity Fund was looking for a quick profit and didn't mind if everyone benefited from his tip and leaked non-public information to the fund manager, could the manager act on it?

A: No he will not act on it. Portfolio managers are required to substantiate all investment decisions to the investment committee of the fund. The substantiation has to be based on public information. Furthermore the SEC scrutinizes trades made by the fund manager monthly, therefore he will never make an unjustifiable trade for compliance purposes. Since insider trading is illegal and is punishable by a fine or imprisonment or both, the portfolio manager would risk getting disbarred.

JB Vantage Value Equity Fund performance as at May 31, 2015

1 month	3 months	6 months	1 year	Year-to-date	Since Inception
1.16%	-0.61%	-1.58%	27.59%	-2.94%	23.98% p.a.

* Past performance is not indicative of future performance

* The prices of units may fluctuate

Are you sharing in Sri Lanka's growth story?

We have a solution for you!

JB Vantage Unit Trusts

Let us manage your investments for you.
Invest in an **equity unit trust**.

Visit our website at www.jbvantage.lk

To learn more about the JB Vantage Value Equity Fund
call Amrit **077 714 8948** or Mushal **077 374 1708**

Minimum Investment : One Million Rupees



A word from the President

The expectation gap



Arjuna Herath
President - CA Sri Lanka

It is important to note the renewed interest and debate about the role of the auditor and the expectations from an auditor. There is no doubt that it is an important subject for deliberations as it is a matter of public interest and affects the accountancy profession. Recent sentiments expressed by a few ministers and regulators give the impression that they expect auditors to play the role of a policeman, which is not the role of an auditor. This may have resulted in an expectation gap between what the public expects from an auditor and what the auditing profession believes is the role of an auditor. This resulting expectation gap is a significant issue to the auditing profession, as the greater the gap in expectations, lower the credibility and prestige associated with their work. It is an issue for the public at large, because the proper functioning of a market economy depends heavily on the confidence in audited financial statements.

Auditing standards and relevant legislation state that the objective of the ordinary audit of financial statements by an independent auditor is the expression of an opinion on the fairness with which they present, in all material respects, the financial position, results of operations and cash flows in conformity with generally accepted accounting principles. The auditor's report is the medium through which he expresses his opinion or, if circumstances require, disclaims an opinion. In either case, he states whether his audit has been made in accordance with generally accepted auditing standards, which are in line with internationally accepted auditing

standards. These standards require him to state whether, in his opinion, the financial statements are presented in conformity with generally accepted accounting principles and to identify those circumstances in which such principles have not been consistently observed in the preparation of the financial statements of the current period in relation to those of the preceding period.

It is also important to note that the auditor has a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, the auditor is able to obtain reasonable, but not absolute, assurance that material misstatements are detected.

Auditors are appointed by shareholders and they report to shareholders. It is an established rule that auditors are to play a vigilant and objective role, ensuring that shareholders' interests are protected and that the management of the company has acted within reasonable parameters. You will appreciate that this process also facilitates the protection of other stakeholders' interests as well.

While expressing an opinion on whether the financial statements show a true and fair view, the auditor is responsible to communicate all audit matters, including fraud, to those charged with governance of the company, which includes the Board of Directors, the Audit Committee and any other relevant supervisory committees. In the event that appropriate action is not taken by the management to address audit

matters of significance, the auditor is expected to consider withdrawing from the engagement.

In this context, it is important that this balance and fundamental principles are not altered, which can impact performing effective audits and undermine broader objectives of audits.

It is also fundamental to understand that financial statements are management's responsibility. The auditor's responsibility is to express an opinion on the financial statements. Management is responsible for adopting sound accounting policies, and establishing and maintaining internal control that will, among other things, initiate, record, process and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

There seems to be a widely held view among users of financial statements that an unqualified audit report guarantees the material accuracy of the financial statements. There are two misconceptions inherent in this expectation. The first is that it is possible to prepare financial statements that are "accurate"; the second is that financial statements are the responsibility of the auditor.

As for the first misconception, it is generally agreed among those who are well informed about accounting that financial statements cannot be "accurate", in the sense that there is only one set of figures that correctly expresses the results of a company's operations and its financial status. The choices available for the accounting treatment of complex business operations and

the uncertainties implicit in management decision-making defeat any attempt to develop a set of financial statements that all-informed observers would regard as "accurate".

It is also pertinent to note that the professional qualification required of an independent auditor is that of a person with the education, training and experience to practice as such. They do not include those of a person trained for or qualified to engage in another profession or occupation. For example, an independent auditor, in observing the taking of physical inventory, does not purport to act as an appraiser, a valuer or an expert in materials. Similarly, although an independent auditor is informed in a general manner about matters of commercial law, he does not purport to act in the capacity of a lawyer and may appropriately rely on the advice of attorneys in all matters of law. Also, the auditor does not have the skills of a policeman to investigate crime or the teeth of a regulator to play a regulatory role. Each party has an important role to play and they have been defined in a way to create an optimum and conducive working environment, creating checks and balances with the broad objective of protecting stakeholder and public interest. Disturbing this balance to achieve narrow specific objectives of any particular stakeholder group may cause imbalances that may be detrimental to the broader goals and objectives that are to be achieved. This needs to be recognized by all stakeholders, the users of financial statements and society to appreciate the role of each party and determine expectations from them.

●● There seems to be a widely held view among users of financial statements, that an unqualified audit report guarantees the material accuracy of the financial statements. There are two misconceptions inherent in this expectation. The first is that it is possible to prepare financial statements that are "accurate"; the second is that financial statements are the responsibility of the auditor. ●●

Periscope

SRI LANKA WARNED AGAINST WEAKENING TAX REVENUE

Sri Lanka policy rate cuts and higher state spending could boost imports and hit the balance of payments while political uncertainty could hurt foreign investors when foreign reserve coverage and tax revenues are weak, Fitch, a rating agency said.

“Lower oil prices, a steady inflow of remittances and tourism receipts are expected to support the current account,” Fitch Ratings said in a review of Asia Pacific countries it rated.

“But wage increases announced in the interim budget and the policy rate cut in April could translate into higher imports and is a risk to the current account that bears monitoring.” The Central Bank left policy rates unchanged by the end of June.

Analysts have also warned that a cut in retail oil prices had eliminated any benefit to the current account as disposable income of people went up to import non-oil goods.

The state petroleum retailer is now in losses indicating that any benefit to the balance of payments has disappeared.

The island’s ‘BB-’/Stable rating reflects high and less volatile real economic growth compared with peers, and a favourable level of basic human development against persistent political uncertainty, weak public finances and a frail external liquidity position, Fitch said.

Political uncertainty remains, although Sri Lanka witnessed a smooth transition of power in the January 2015 presidential elections, the rating agency said.

“General government revenues continue to decline and this trend is likely to continue,” Fitch Ratings said in its latest Asia Pacific Sovereign Overview.

An interim budget announced in January 2015 after the new government was formed did little to address the underlying fiscal weaknesses given the one-off nature of most of the revenue measures announced.

“Sri Lanka’s foreign-reserve coverage of its current external payments remains narrow, and is vulnerable to shifts in investor sentiment,” Fitch Ratings said.



Retrospective taxes also violate rule of law.

While ignorance of the law is not an excuse, no man can be subject to a rule that did not exist for him to follow in the first place.

“That is especially true because foreign holdings of Sri Lankan government securities are high and as domestic political uncertainty currently prevails.”

Sri Lanka’s Finance Ministry said in the first five months revenues were up 21

per cent without one-off measures.

However current spending is expected to pick up in the second half with, wages, pensions and subsidies to rubber and tea farmers picking up.

Tax hikes proposed in a budget for 2014 were delayed.

Though the tax bills have been listed on the order paper in Parliament they have not been put to a vote.

Economists and analysts sharply criticized a proposal for telecom firms to absorb turnover based taxes. Opposition members described some taxes as ‘vengeance’ levies.

Large one-off taxes which are likely to bankrupt some of the firms on which they have been imposed violated a fundamental principle of taxation observed in South Asia from the time of the Gupta Empire and beyond, and has since also been adopted by the West.

“The Ruler should act like a bee which collects honey without causing pain to the plant,” says the Mahabharata, a tax principle articulated not only by Vyasa but also by Kautilya in his work Arthashastra.

Retrospective taxes also violate rule of law.

While ignorance of the law is not an excuse, no man can be subject to a rule that did not exist for him to follow in the first place. Economist and philosopher F A Hayek explained this succinctly in his work Road to Serfdom:

“Stripped of all technicalities [the rule of law] means the government in all its actions is bound by rules fixed and announced beforehand—rules which make it possible to foresee with fair certainty how the authority will use its coercive powers in given circumstances, and to plan one’s affairs on the basis of this knowledge.”

If passed there are fears that the retrospective taxes will set a precedent for other members of the elected ruling class who control the police and the jails to impose similar taxes on citizens in the future in addition to slapping large taxes on political opponents. ■

(EconomyNext)

GOVERNMENT BORROWINGS NEAR FULL YEAR LIMIT

Rs. Bn **Rs. Bn**

684.2 **1,780**

GOVT BORROWINGS
FROM JAN-APRIL 2015

Sri Lanka government borrowings amounted to Rs684.2 billion during the first four months of the year, out of a total borrowing limit of Rs1,780 billion approved for the year, official data showed. These included Rs311.7 billion of Treasury

bonds, Rs83.6 billion of Treasury bills, Rs113.6 billion of dollar denominated Sri Lanka Development Bonds, Rs9.06 billion of Central Bank advances (outright printed money) and Rs8,238 billion of bank overdrafts. The domestic borrowings totalled Rs526.2 billion and

TOTAL BORROWING
LIMIT FOR 2015

foreign borrowings amounted to Rs158 billion. The gross borrowing limit of Rs1,780 billion is not the budget deficit represented by new borrowings, but it also includes debt rollovers and repayments. Sri Lanka's projected budget deficit for 2015 is Rs499 billion. ■

GOVERNMENT REVENUE UP 21%

Sri Lanka's state revenues rose 21 percent from a year earlier to Rs492 billion in the first months of 2015, while expenses grew at a slower 12.5 percent. Sri Lanka has collected 32 percent of the estimated 2015 revenue of Rs1,592 billion compared to 28 percent or Rs406 billion in 2014.

Sri Lanka has set off a consumption boom with a further policy rate cut amid higher state recurrent expenditure and a recovery in private credit, with inevitable consequences leading to balance of payments trouble and run down of foreign reserves. However low interest rates and rising consumption is also bringing in more revenues, particularly from vehicle imports.

Meanwhile with imports of especially motor vehicles rising, and a consumption boom being set-off by

the new administration discouraging savings available for investment with another rate cut, state revenues have picked up from the import side as well, helping fund some of the spending. Recurrent expenditure rose 12.2 percent to Rs623 billion for the period.

The current account deficit of the budget has narrowed in the first five months to Rs130 billion from Rs148 billion a year earlier.

But unlike in 2014 there were lower foreign borrowings, leading to pressure on domestic credit markets. A steeper rise in rates was avoided by a run-down of foreign reserves.

Sri Lanka is forecasting a budget deficit of 4.4 percent of gross domestic product, though the International Monetary Fund has warned that it may grow to as much as 6.7 percent. ■
(EconomyNext.com)

Professional accountants should not turn a blind eye to non-compliance: IESBA



The International Ethics Standards Board for Accountants (IESBA) released for re-exposure an enhanced standard, Responding to Non-Compliance with Laws and Regulations. The proposed standard sets out a new framework to guide auditors, other professional accountants in public practice, and professional accountants in business (PAIBs) in deciding how best to act in the public interest when they come across an act or suspected act of non-compliance with laws and regulations.

“Fundamentally, all professional accountants have an ethical responsibility to respond in these situations and not turn a blind eye to them,” commented IESBA Chairman Dr. Stavros Thomadakis.

“Importantly, their response can play a role in ensuring that serious instances of non-compliance with laws and regulations are appropriately addressed, or in deterring them. The board intends the proposed framework to guide professional accountants’ response in these situations, ensuring their actions serve the public interest while recognizing the essential role of management and those charged with governance in addressing the issue.”

Among other matters, the proposed standard serves to better equip auditors and other professional accountants to address such issues by providing a pathway to disclosure to an appropriate authority in appropriate circumstances without the duty

of confidentiality under the Code of Ethics for Professional Accountants™ acting as a barrier. It also places renewed emphasis on the importance of senior-level PAIBs promoting a culture of compliance with laws and regulations within their organizations.

“The board believes that the proposed framework represents a holistic, proportionate, and balanced model for addressing what can often be complex situations,” noted IESBA Technical Director Ken Siong. “The board also believes that the proposed standard’s enhanced guidance will support and complement legal and regulatory frameworks in jurisdictions that already mandate reporting by professional accountants of identified or suspected non-compliance with laws and regulations to appropriate authorities.” The development of the proposed standard was informed by stakeholder responses to the first Exposure Draft issued in August 2012 and other extensive consultation with stakeholders, including global roundtables in Hong Kong, Brussels, and Washington, DC in 2014, and discussions with the IESBA Consultative Advisory Group. ■

(IESBA)

Periscope

HSBC cites UK 'regulatory reforms' as a cause for Asia move

As disgraced British bank HSBC considers moving its headquarters to Asia, many UK tax payers have welcomed the news. The banking giant, which previously assisted criminals in dodging tax, cited regulatory changes as a driving factor for its move, Reuters reported.

HSBC is pondering selling off its UK retail unit in a lucrative £20bn deal, as it reviews whether it should remove its headquarters from the City of London to less stringently regulated pastures, the news-wire service said.

HSBC cited Britain's shifting regulatory climate along with increasing operational costs as leading push factors for the move. Destinations under consideration include the bank's former home Hong Kong, a range of other Asian hot spots and New York.

Of particular concern to HSBC is Britain's rising bank levy, which is increasing year on year. And like other banks based in the UK, HSBC faces pressure to sever its retail arm from its investment banking arm by 2019. Such a move falls under the govern-



ment's strategy to tackle the "too big to fail" characteristic of banks that caused the 2008 financial crisis.

A possible exit from the EU has also been cited as a motivating factor. The prospect of terminating Britain's EU membership is viewed as unwelcome by many key City players.

Unlike Royal Bank of Scotland (RBS) and Lloyds, HSBC was not bailed out by UK tax payers during the global financial crisis. However, it has been denounced in recent months over its role in the most serious tax dodging scandal in modern banking history.

In February, it emerged HSBC's Swiss private banking arm had aided royalty, criminals, terrorists and drug

dealers in dodging taxes. The allegations were made by ex-HSBC employee and whistleblower Herve Falciani.

A colossal cache of files leaked by Falciani to the International Consortium of Investigative Journalists (ICIJ) shed light on these practices.

The files specifically revealed the bank's alleged complicity in tax evasion and aggressive tax avoidance between 2005 and 2007. They also shed light on HSBC's policies of doling out large amounts of cash to clients in mixed currencies, and offering banking services to drug traffickers and criminals.

HSBC subsequently apologized publicly for the bank's transgressions, with the bank's chief executive claiming the institution had been

"completely overhauled."

Like many leading British banks, HSBC has been engulfed by scandal in recent years. The bank was fined by regulators for fraudulently mis-selling payment protection insurance (PPI) to unwitting customers and manipulating foreign exchange markets. It was also fined heavily by American regulators for breaching US anti-money laundering regulations.

HSBC employs a total of 48,000 people in Britain. In March, the bank said it plans to relocate its British head office to Birmingham within the next four years, a move which would see 1,000 jobs transferred from London to the English West Midlands.

The bank was first founded in 1865 in Shanghai and Hong Kong, and later relocated its headquarters to London in 1993 after buying up Midland Bank in Britain. Midland was part of the global FTSE 100 index, and provided business support and banking to leading manufacturers and business people. ■

Listed corporate earnings slow down

Earnings of Sri Lankan listed companies will remain at current levels in the December 2015 and March 2016 financial year but could slow down thereafter owing to a possible interest rate hike, a brokerage said.

First Capital Equities said low interest rates, higher disposable incomes and a stable exchange rate are likely to drive market earnings for the December 2015 and March 2016 financial year. Market returns may improve once current

uncertainty stemming from looming parliamentary elections settles, they said in a research report.

"We continue to maintain market earnings forecast for December 2015E / March 2016E at 11-13% year-on-year," it said.

Market returns are likely to stay low amid the current uncertainty in the political front, First Capital Equities said, adding that they expect market returns to be strong once the uncertainty settles down.

"However, we expect a slowdown in economic conditions beyond June 2016 due to possible rise in interest rates affecting companies across the board," the brokerage said.

"As a result we expect market earnings to slowdown for the earnings period December 2016E / March 2017E resulting in an earnings forecast of 4-5% year-on-year." The earnings for the December 2014 / March 2015 financial year grew 13%, slightly above the growth target

of 10-12% estimated by First Capital Equities. Market earnings for the March quarter remained strong among most companies especially in the banking and finance sector.

But absolute earnings were flat in the quarter compared to the previous year's corresponding quarter because of lower palm oil earnings by Carson Cumberbatch and Bukit Darah and losses in Lanka India Oil Corporation. ■
(EconomyNext)

India likely to sign FATCA pact

The Indian government may sign an inter-governmental agreement for the United States' Foreign Account Tax Compliance Act (FATCA) this month.

"The Indian government is likely to sign the Inter-Governmental Agreement (IGA) for Foreign Account Tax Compliance Act (FATCA) in early July 2015," Akhilesh Ranjan, a Joint Secretary in the Finance Ministry, was quoted as saying in a release issued by industry body FICCI. Ranjan is in the Foreign Tax and Tax Research Division of the Ministry.

FATCA compliance will necessarily have to cover all new accounts opened by Indian Financial Institutions (FIs) from July 1, 2014 onwards. Further, they would be obliged to share data with the government in respect



of all new accounts opened from July 1 till December 31, 2014, to enable the government to share this data with the US by September 30, 2015, CNBC reported.

The Regulators might also publish detailed guidance for implementation of

FATCA. Ranjan assured that the Indian government was committed to the cause of confidentiality of data and is taking several measures in that direction. Earlier in July, the United Arab Emirates (UAE) signed an inter-governmental deal with the US

following the Vatican that signed an agreement in June.

FATCA requires foreign financial institutions to report information about accounts held by US taxpayers direct to the US tax authorities or face a possible 30% withholding on US based income. ■

INCOME TAX DECLINES

4%

GROWTH IN INCOME TAXES FROM BUSINESSES

Income tax from businesses grew 4% year-on-year to Rs20.5 billion during the first four months of 2015. The sectors that contributed to income tax growth were the banking and finance, insurance, trade and manufacturing sectors.

28.5%

GROWTH IN PAYE TAXES

Pay-As You Earn, or PAYE tax grew 28.5% from Rs7.4 billion a year earlier to Rs9.5 billion. The Ministry of Finance said this was a result of increased wages in the tourism, IT and professional services sectors. Tax on interest income fell 15.7%

to Rs22.7 billion and the economic service charge fell 2.6% to Rs2.8 billion.

Total income tax revenue declined 2.3% year-on-year to Rs55.7 billion and accounts for 14% of total government revenue which grew 15% to Rs395 billion. ■

Core inflation eases

Core inflation, which measures underlying price movements of an economy after price sensitive items such as fresh food and fuel, eased to 2.8% as at June 2015, down from 3.5% a year ago, official data showed.

This measure of inflation helps policy makers better understand general price movements in the economy and detect cooling or overheating.

Headline inflation as measured by the Col-

ombo Consumers' Price Index eased from 4.4% a year earlier to 0.1% as at end June 2015, the Ministry of Finance and Planning said in its Mid-Year Fiscal Position Report for 2015.

The government had consistently criticized the previous regime for manipulating inflation data. A special committee was appointed to unravel these and other economic data. Progress if any has not been disclosed to the public so far. ■

Periscope

VANISHING ACT: HOW A GLOBAL AUDITOR FAILED TO SPOT THEFT OF 15% OF MOLDOVA'S WEALTH

The local franchise of accountancy giant Grant Thornton was working for three of the country's largest banks when US\$1 billion was embezzled, the Guardian reported. It said the audit firm has been accused of negligence and incompetence after 15% of the former Soviet republic was siphoned 'from under its nose'.

Grant Thornton, the UK based accountancy giant with local franchises in dozens of countries, was the auditor for three of Moldova's largest banks through which the money was embezzled and spirited out of the country in complex financial transactions, some through UK companies, The Guardian said.

As a result, the authorities had to rescue the three banks with a bailout equivalent to half the annual budget. The knock-on effect was a currency collapse and a plunge towards recession, ruining the economy almost overnight. Moldova is already Europe's poorest country.

The theft was discovered in November 2014 at Unibank, Banca de Economii and Banca Sociala, which the Moldovan member of Grant Thornton, a global network of independent firms, has been auditing since 2010, 2011 and 2013 respectively.

Iurie Chirinciuc, a Moldovan MP who was part of a commission set up to investigate the affair, believes Grant Thornton was negligent and obstructive. "All the [audit] reports give positive opinions," he said. "How can you give a positive opinion when the



The parliamentary report says: "The management of the banks have manifested evident lapses in professionalism and integrity ... by giving credits that were compromised from the beginning"

situation at these banks was so grave?"

Grant Thornton said it drew the attention of the banks and relevant authorities to its concerns about the banks and that its audit reports contained alerts about loans. But Moldovan authorities said it should not have given the banks a generally clean bill of health. Multiple spurious loans were granted by Banca de Economii and Unibank on the basis of false

guarantees to companies that then transferred the money offshore. Some went to British companies controlled by entities registered in places where directors' identities are kept secret.

Two preliminary reports - one by the parliamentary commission and the other by corporate investigation firm Kroll - suggest that fraud eventually became the main occupation of the banks.

The parliamentary report says: "The management of the banks have manifested evident lapses in professionalism and integrity ... by giving credits that were compromised from the beginning" and made transactions of "fictional and fraudulent character". The MPs concluded the banks had knowingly endangered their "capacity to make basic operations" such as paying out pensions and public sector salaries.

The banks consistently

misrepresented cash balances by using unorthodox "overnight deposits" - zero-interest deposits from Russian banks Interprombank, Gazprombank, Alef Bank and Metrobank - to disguise the lack of capital while continuing to give out nonperforming loans. "In essence these operations were operations of manipulation," The Guardian said quoting from the parliamentary report.

So contaminated have the banks become that the IMF and World Bank have suspended programmes with Moldova, and the EU is considering following suit. World Bank country manager Alex Kremer said last week: "We are advising the authorities that the three banks ... should be liquidated." He said trying to nationalise or recapitalise the banks would risk wasting more taxpayers' money.

Grant Thornton had no presence in Moldova before 2010, but its ascent has been startling. The Guardian notes.

Seven of the country's 14 biggest banks became its clients in the space of four years, making it by far the biggest player in the market. International competitors such as KPMG and Deloitte steadily lost Moldova to Grant Thornton, with neither having more than two major banks on their roster in the country by 2013.

Representatives of the Moldovan Grant Thornton franchise deny impropriety and say that auditors cannot be held responsible if clients do not disclose full financial information. ■

By
Devan Daniel

Perspective

The problem with rice farming

Sri Lanka's rice yields are improving and if they finally catch up with the rest of Asia Sri Lanka will be left with a large crop. It will then have to figure what its going to do with this extra rice



Rice is important to Sri Lankans. It's cheap and the key carbohydrate source in Lankan diets. But this is not all. Rice farming is ingrained in the Sri Lankan psyche and the rice farmer has been eulogized for millennia. The greatness of kings was, in part, measured by their development of agriculture and some of the same measures are applied by governments even now.

Sri Lankans eat a lot of rice. On average 120kg of rice a year per person, second only to poverty-stricken Myanmar.

The problem is that no international market exists for the small grain crop grown here.



Rice yields are also on the rise. Improved farming practice-linked productivity gains will push yields to five to six tonnes per hectare, levels already being achieved in places like Thailand, Vietnam, Cambodia, Laos and China. That's a 25% to 50% yield improvement compared to the four tonnes a hectare now being achieved here. Ten tonnes a hectare have been achieved in places with intensive farming practices in Asia. Sri Lanka's highest yields are probably seven tonnes a hectare being achieved by listed agriculture firm CIC at its rice fields in

Hingurakgoda. Because the average Sri Lankan is eating a kilogram of rice every three days, there is little potential to feed them any more of it. In fact as wealth increases and lifestyles change, per capita rice consumption will fall from the record levels. Demographers forecast Sri Lanka's population will peak at 23 million around the year 2030 up from 20.4 million now. So there is little potential that a soaring population will demand more rice.

Rice yields per hectare climbed from 1.58 tonnes in 1952 to 4.3 tonnes per hectare by 2012. Yield gains of around 1.75% a year till about late 1990s were only enough to keep up with population growth. Population growth has dropped off since then but yields are still rising and there is ample evidence to suggest they will continue upwards. Yields rose because of improved seeds and the widespread use of fertilizer, insecticides and weedicides. These new farming practices staved off famine in Sri Lanka where the growing population was getting up to two fifths of their calories from rice.

Herein lies the challenge for rice farming. If the use of more drought and flood resistant seeds and better farming practices can improve yields over the next decade to levels already being achieved by major Asian rice growing nations, Sri Lanka may end up with as much as 2.4 million tonnes of rice (equal to 50% more than the current crop) than there is demand for.

The problem is that no international market exists for the small grain crop grown here. Consumers prefer long grained and fragrant types grown in places like Thailand and Vietnam. Thailand exported rice worth \$5.4 billion in 2014. In 2013 Sri Lanka's largest export, apparel earned \$4.26 billion while negligible rice exports from here target homesick Sri Lankans living overseas.

In 2014 Sri Lanka imported at least 90,000 tonnes of processed rice, more than half of it from Bangladesh because a drought and floods damaged crops. In a good year Sri Lankan fields produce up to 4.8 million tonnes of rice. Imports in 2014 were the equivalent of around 2% of demand for small grain rice. Sri Lanka also imports long grain and fragrant rice because tourists holidaying here prefer these.

Sri Lanka's rice pre-eminence faded decades ago. Sri Lankan rice yields kept pace with the original green revolution, which started in the 1950s'. Thirty years later, yields had doubled. Since the 1980s yields have climbed a further 30% or so but these last gains haven't been



If yields have risen permanently the market will have to figure how it's going to deal with the crop.

enough to keep pace with the world's top rice producers whose yields are 25% to 50% higher than Sri Lanka's and grow rice varieties that have ready global demand. Unless Sri Lanka can sell in the international market its rice crop exceeding 4.8 million tonnes, prices here will decline.

A second green revolution scientist's forecast will lift the rice crop in areas which were failed by the first one. Hybrid seeds are already being sown in fields across Asia engineered to withstand floods. For decades these miracle seeds have been talked about and they are now available almost everywhere, but not in Sri Lanka.

Perspective

For years Sri Lanka's agriculture policy, research and practices were aimed at feeding the nation at low cost. Agriculture (excluding fishing) accounts for 9.4% of the economy and rice farming and related activity accounts for a 1.6% share. Despite the relatively small contribution from rice (vegetables, highland crops and fruits account for 3.8% of economic value added) the impact of rice is significant for two reasons.

Firstly there are many rice farmers; as many as 897,000 separate land plots growing rice according to a census department survey in 2002. There aren't as many vegetable and fruit farmers although that sector of agriculture adds more than twice the economic value as do rice farmers. Any dip in rice fortunes impact many families in some of Sri Lanka's poorest districts like Ampara, Kurunegala, Polonnaruwa and Anuradhapura where over half the crop is grown.

Secondly - because of the long history of rice growing and Sri Lanka's phenomenal record of innovation around reservoir irrigated agriculture-the crop is associated with a period in the island's history when it was a global leader. Every fifth grader knows this history and a problem for farmers or a shortage of affordable rice quickly spirals up the national psyche. No government could contemplate a rice crisis with equanimity. Governments have learned the hard way not to mess with rice farmers or its supply.

Between 1960 and 1970, a number of governments lost elections over issues around rice rationing. Sri Lanka has weathered economic falls and sidestepped famine better than most poor countries because of its long history of democracy.

Disused reservoirs were dug up and filled with rain water and new ones - like those under the Mahaweli irrigation scheme - were built, increasing hugely the land under rice cultivation around these schemes. The area under rice cultivation has more than doubled from 471,000 hectares in 1952 to over 1.2 million hectares now.

Just when the gains of the first green revolution are levelling off, another is about to take its place. The dichotomy for Sri Lanka where a large segment of its poor are rice farmers is the potential income boost this could provide. But huge productivity gains ahead of structural reforms in agriculture are a frightening prospect.

Second green revolution seeds can close the gap between Sri Lanka and Asia's most productive fields first by making it possible to plant all rice paddies during Yala season instead of only

...better farming practices can improve yields over the next decade to levels already being achieved by major Asian rice growing nations, Sri Lanka may end up with as much as 2.4 million tonnes of rice (equal to 50% more than the current crop) than there is demand for.



the two thirds of land now 'aswaddumized'. It can also boost rain-fed rice yields and push the boundaries of the two-crop model and give at least a limited third crop in some areas. If Sri Lanka can introduce second green revolution seeds soon, it could potentially double yields in a decade. This is an opportunity and frightful prospect for a country that already has more rice than its people can eat - unless it can export the surplus.

Higher yields don't mean costs will rise in step. But rice farmers are a coddled bunch. They have grown to expect rice should fetch a higher price even if it means the government purchasing some of it at higher-than-market prices. The government has guaranteed to purchase unprocessed rice at Rs50 a kilogram compared to the Rs35 or so in the market.

In the past, such schemes have absorbed around ten percent of the crop. However, what may appear to be a bounty for farmers will prove disastrous for rice farming because it offers an artificially high price for small grain rice. Farmers will grow more of the same small grain rice than make the more sensible switch to varieties in demand internationally.

Sri Lanka was renowned as the 'granary of the east' during a period hundreds of years ago when it grew a surplus crop of rice. It can only regain that position by producing more of what the international market wants. Thailand, India and Vietnam currently top the rice export league tables. There are other challenges facing rice farmers like the fragmented nature of land holdings around the major irrigation tanks, meddling governments that undermine farmer incomes by artificially propping up prices and then importing rice at other times and market distorting subsidies.

However these challenges will appear trivial if Sri Lanka ends up with such a large crop that it can neither consume nor export. The positive side is that this will not happen overnight. If government stops market-distorting interventions in rice farming, the challenge of a large crop will quickly become apparent when it does hit the market. If yields have risen permanently the market will have to figure how it's going to deal with the crop. Growing an export crop is a practical option.

After decades of gains since the green revolution, Sri Lankan rice now faces a challenge unlike any it has faced in the past. In its response it has an opportunity to allow Sri Lanka to re-emerge as a granary of the East. ■

Audit

Auditors: watchdogs, bloodhounds or whistleblowers?

Sri Lanka's securities watchdog, the SEC, is contemplating introducing new laws, requiring audit firms to report to the regulator irregularities in the financial statements of listed firms they audit.

By **DEVAN DANIEL**

While a requirement for auditors to police firms exists in Malaysia, it is an exception. Auditors have maintained that their report isn't a statement of fact but an opinion. An unqualified audit report is also not a certificate of good governance nor a testimonial to prove a firm is well run, auditors maintain. If SEC does add a whistleblowing responsibility on external auditors it will be a significant extension of their role. Their current responsibilities are spelt out in Sri Lanka's companies' law. Expectations of auditors have been growing; something the industry itself recognizes. However auditors' legal responsibility is to shareholders. By adding a whistleblowing responsibility, the number of stakeholders to which it must be accountable will be expanded greatly. Insurance Ombudsman, legal academic Dr. Wickrema Weerasooria discussed the perception versus reality for auditors.

INSURANCE OMBUDSMAN,
LEGAL ACADEMIC
DR.WICKREMA WEERASOORIA
SAYS CASE-LAW IS THE ONLY
THING THAT CAN DEVELOP
LEGISLATION FURTHER, NOT
SEMINARS AND LECTURES.





Next to legislation—the Companies Act—the most important area is case-law or judicial decisions affecting auditors. Fortunately, there are no reported Sri Lankan judicial decisions on the subject. This speaks well for the auditing profession. The absence of case-law shows the absence of serious litigation against auditors.

What is an auditor's principal role and function?

The answer to this question depends to whom it is directed. Is it posed to a shareholder or director of a company, or to a regulator like the Securities and Exchange Commission (SEC)? Or is the question posed to a creditor like a bank or a person or company intending to buy-over a particular company. The perceptions of each of them may differ as to what is expected of an auditor.

I can answer the question as a lawyer and academic who has to some extent studied the law relating to and governing auditors in Sri Lanka. About ten years ago I contributed an article to the journal of the Institute of Chartered Accountants on 'The Legal Liabilities of Auditors' and a highly respected former Supreme Court judge Mr Dheeraratne wrote a rejoinder contesting some of the views I expressed. In my article, I had said that auditors in Sri Lanka should be governed by English Law but Justice Dheeraratne argued that auditors are like any other profession governed by the principles of Roman-Dutch Law and not English Law.

The basic difference is this. To attach legal liability to professionals under Roman-Dutch Law is more difficult than under English Law. The Roman-Dutch Law is a very conservative law and in the absence of intentional wrongful conduct, or *dolus*, it would be difficult to attach blame to a professional. On the other hand, in English Law negligence alone, or *culpa*, may be sufficient and intention, *dolus*, is not required. Before going further into the difference between English Law and Roman-Dutch Law, let me as a legal academic start by formulating some general points or features relating to the role and function of auditors. Here again, I must emphasise that I am speaking as a lawyer.

Firstly, we have our company legislation, here I refer to the Companies Act No. 7 of 2007. There are several sections in this Act which relate to auditors. These are sections 154 to 165 and they are all very important and I cannot think of any auditor who does not know of those statutory sections.

Next to legislation—the Companies Act—the most important area is case-law or judicial decisions affecting auditors. Fortunately, there are no reported Sri Lankan judicial decisions on the subject. This speaks well for the auditing profession. The absence of case-law shows the absence of serious litigation against auditors. There may have been instances where the thought of suing an auditor may

have been contemplated but the decision to institute the case may not have been taken because the law is stacked in the auditors' favour. I will show why later on.

But in comparison, we have many Sri Lankan cases where bankers and insurers have been sued, but not auditors.

Apart from statute law (Companies Act) and case-law there can be codes of conduct affecting auditors. I am not conversant in such codes on auditors and this area can be best covered by the Institute of Chartered Accountants.

Let us examine the statutory requirements. Many professionals do not study these and they rather give sermons on text book principles relating to auditors. You ignore the statute at your peril. Auditors are very sharp. They echo the statutory requirements in their reports which they call 'Opinions' and I will deal with this later.

Let us look at the statutory provisions.

Section 154 relates to the appointment of auditors and section 155 deals with auditor fees and expenses. Section 156 permits a partnership to be an audit firm. Section 157 outlines disqualifications from being an auditor. For example, an auditor must be a member of the Institute of Chartered Accountants. Also, no company or corporate body can be an auditor. Section 158 deals with provisions to re-appoint an auditor. Sections 159 and 160 respectively deal with the appointment of the first-auditor and the replacement of an auditor respectively. Section 161 formulates the statement by a person ceasing to hold office as an officer. Section 162 is a very important section, which behoves an auditor to avoid a conflict of interest.

In my view Section 163 is the most important section. It outlines what the auditor report or opinion should consist of. This is the section that auditors use to protect themselves from legal liability.

Section 164 gives auditors full access to all the information they require and Section 165 deals with auditor entitlement to attend shareholder meetings.

To whom is an auditor accountable to and to what extent?

People should first look at the law governing auditors. Many professionals read textbooks and pontificate on what auditors should and should not do. This is very wrong especially when the laws are so few and clear. According to statute, or Section 163 of the Companies Act, auditors are clearly answerable to share-

Companies Act: Sec: 163

Section 163 of the Companies Act No.7 of 2007 is the most important section in the statute dealing with the role and legal responsibilities of auditors. Excerpts of the Companies Act No.7 of 2007:

163.

(1) The auditor of a company shall make a report to the shareholders on the financial statements audited by him.

(2) The auditor's report shall state-

- a. The basis of opinion;
- b. the scope and limitations of the audit;
- c. whether the auditor has obtained all information and explanation that was required;
- d. whether in the auditor's opinion as far as appears from an examination of them, proper accounting records have been kept by the company;
- e. whether in the auditor's opinion the financial statements give a true and fair view of the matters to which they relate and if they do not, the respects in which they fail to do so, and;
- f. whether in the auditor's opinion the financial statements and any group statements comply with the requirements of section 151 or section 153, as the case may be, and if they do not, the respects in which they fail to do so.

(3) The auditor of the company shall at the same time as he delivers his report to the company, deliver to the company a statement of-

- a. the existence of any relationship (other than that of auditor) which the auditor has with, or any interests which the auditor has in, the company or any of its subsidiaries; and
- b. the amounts payable by the company to the person or firm holding office as auditor of the company as audit fees and expenses and as a separate item, any fees and expenses payable by the company for other services provided by that person or firm.

holders and no one else. Many think that auditors are answerable to the public, but this is not what the law says. Auditors don't even have to answer to directors of a company. In any case, auditors are already protected by the Roman-Dutch Law because proving intentional wrong-doing is very difficult and does not cover negligence.

Now the Companies Act is English Law, but there is no definitive statement on what governs auditors so judges here hold that auditors are covered under common law, or Roman-Dutch Law, which is practiced in only two countries in the world, Sri Lanka and South Africa.

Over the years, English Law governing auditors has developed further with case-law.

English judges have said auditors owe responsibility to shareholders. By stretch of law or legal development, auditors are responsible to directors as well. By extension, English judges have said that auditors can be held accountable to creditors like banks and also corporate predators. But all of them must first prove that they relied on the auditors reports. There have been many instances where auditors have been successfully sued in England, where the laws are less lenient towards auditors than in Sri Lanka. This appeared in a famous case 'Caparo Industries Vs Dickman' in 1990 where the whole aspect of auditors was taken up. In my opinion, English law should apply to auditors here, but in the absence of case law and the Companies Law itself cloth auditors in protective armour.

The auditors' report is really an opinion. What is the legal scope of an audit opinion?

It appears that unlike any other profession, the law and the courts, and especially the courts have taken care - though this may not be deliberate - to protect auditors because they give a report technically called an opinion. The late Gamini Wijesinha, former president of the Institute of Chartered Accountants used to state at every lecture he gave that an audit report was not a statement of fact, not a review of operations, not a testimonial nor a certificate of good governance, not a testimonial that a company is well run and is not a certificate on the efficiency of directors. The audit report is an opinion based on information that is disclosed to us, he would say.

This word opinion is crucial and is an inbuilt safeguard in the Companies Act. Everyone can accept that an opinion can be different or even a mistake, but it's still



People should first look at the law governing auditors. Many professionals read textbooks and pontificate on what auditors should and should not do. This is very wrong especially when the laws are so few and clear. According to statute, or Section 163 of the Companies Act, auditors are clearly answerable to shareholders and no one else.



This word 'opinion' is crucial and is an inbuilt safeguard in the Companies Act...the term opinion is found only in this piece of legislation and nowhere else; it's not found in other legislation for bankers, insurers, architects and even medical professionals.

an opinion. Opinions can be criticized but cannot be challenged legally. The term opinion is found only in this piece of legislation and nowhere else; it's not found in other legislation for bankers, insurers, architects and even medical professionals. Also, the law clearly says auditors rely on financial statements prepared by the company, so the responsibility lies with directors. If misleading, false statements are given to auditors, then auditors may be deceived. But then one may ask shouldn't auditors detect them.

If they are so obvious, then yes. If there is an open-and-shut case, glaring discrepancies, glaring omissions, glaring fraud, glaring mistakes then no auditor can be heard to say my report is justified because I acted on what I was told. They can comment on it or refuse to audit.

Old English judges asked whether auditors were bloodhounds or watchdogs? When I was a law student in the 1960s we were read judgements of famous English judges. A watch dog will bark, bark and bark and alert us to an intruder. A bloodhound will go further, it will follow the trail after the thief or robber has run away and help capture the crook. Today, auditors can no longer consider themselves watchdogs, this is an old concept. The world has moved on, company laws have developed and auditors must play a more active role. They must be bloodhounds.

The Companies Act states that the audited report shall state the basis of opinion, this word 'opinion' suddenly springs up in the statute for the first time. Auditors also shall state scope and limitations of audit. They should state that 'we could not do the following and we did not do the following' but I don't envisage auditors doing that because anyone reading it would think twice about investing in the company.

Some may argue why an auditor did not call for certain information. Here again, opinion. The requirement for information is a subjective test, not objective. An auditor may argue 'In my opinion I did not require it,' and it will hold. So everything is weighed in favour of auditors, unless a blatant, very obvious error or mistake takes place. You cannot challenge an opinion. You can challenge the facts but not an opinion.

Why go after auditors? Pramuka Bank failed in early 2000s. There was a thought to sue the auditors but nothing happened. We also have the Golden Key debacle but

no legal action was taken against auditors. Normally case-law is developed by litigation. Here again the Companies Act gave them protection, and the absence of litigation is a big plus. Auditors cannot be sued.

Banks have been clawed by litigation where judges have further developed the law with case-law. Here in Sri Lanka there is not one case against an auditor. No matter how great or weak a company, the independent auditor's report is just one page. To call it a report is incongruous.

The public, regulators and lawmakers often believe that auditors should be held responsible when companies fail or when irregularities come to light. Is this perception fair?

This perception will always be there, but it's not fair.

Blame should fall on directors and then management. My advice to people is do not invest in a company without understanding, and understanding can be easily acquired.

Auditors are already covered by the law and court system. But auditors can always qualify a report, when this happens directors are exposed and they may plead, coerce and bribe but auditors must say no.

The law protects the auditor and society treats him with a lot of respect. Their parental body, the Institute of Chartered Accountants, is one of the best professional bodies in the country and is highly regarded.

Auditors have been sued in civil courts and successfully in England where there is less protection for auditors. In Sri Lanka no lawyer will take on an auditor because of the statute and absence of case law. Guilt is difficult to establish unless there is manifest wrongdoing and where codes of professional conduct are violated like conflict of interest. But these are more likely to be settled outside courts, because they will do their best to avoid a public scandal and have the finances and legal backing to do so. If I can get a partner to the witness box I will be very happy.

The institute can build up self-regulation and set fire to the people not doing their work and set the ball rolling to discredit them.

Case-law is the only thing that can develop legislation further, not seminars and lectures. But the Institute of Chartered Accountants can enforce a high degree of professionalism and keep our auditors beyond moral and legal reproach. ■



There's always a long journey between vision and reality. It's a journey that tests our will, determination and courage. It's within our power to determine how far our efforts take us and the direction in which they lead. When the time comes to take that decisive step... take it.

At Commercial Credit, we believe in encouraging human endeavours.



**COMMERCIAL
CREDIT**

Commercial Credit & Finance PLC (Head Office)
106, Yafinuwara Veediya, Kandy. Hotline: 081 2 000 000

Commercial Credit & Finance PLC (City Office)
45, Dharmapala Mawatha, Colombo 07. Hotline: 011 2 000 000



Small and Medium Sized Practices in Transition

Small and medium sized practices (SMPs) are a critically important part of the profession, serving a vast majority of private businesses in the country in audit and consulting services. Often these SMPs are also family businesses like the clients they serve. Many SMPs that have operated for a few decades are now seeing the entry of a second generation of the family in to leadership.

There are a number of challenges to this generational transfer of ownership. Succession is the first one. A single founder may not find a willing or ready family member to hand over the business automatically. Succession is also a process of identifying the key people to fill leadership positions - who may include family members - and not an event; at which the founder sings away his ownership. It's always a two stage process, firstly of handing over day to day management and grooming the next level of leadership and secondly giving away the ownership. However, only a few family-controlled SMPs are going down the succession path. Many have been sold or have merged with another company.

Founders often imbue firms with a unique culture which makes changing even the most opaque and unconventional organizational structures a challenging undertaking. Often a founder handing over the burden of everyday management to a new generation also rarely gives up control, allowing the new managers to steer the business to a new vision. By hanging on to ownership, founders cling to power, status and identity; inadvertently making life difficult for new managers. The two firms featured in The Abacus's SMPs transitioning to generation two, share challenges and successes. We spoke to both fathers - who still go to office every day - and their sons about the transition.

G2

Differing philosophies blend to create dynamic synthesis: Nihal & Dinuk Hettiarachchi

Nihal Hettiarachchi still talks to his older clients, while his son **Dinuk** communicates with their second generation

Nihal Hettiarachchi started Nihal Hettiarachchi & Co in 1985. The son of a railwayman, he was a mathematics student who was selected to go to university in the physical sciences. However, in the aftermath of the 1971 insurrection, his father didn't want him to go to university, fearing he might join a similar movement. He received a scholarship through the Institute to do accountancy and was selected by G.C.B. Wijesinghe, the "blue-eyed boy" of accountancy, for the one place at Ford Rhodes ("probably", he says, "because I was a good basket-baller"). He remains grateful, saying that it changed his life, moulding his character and made him what he is today.

The firm is now in transition, with his son, Dinuk, having taken many of the reins from his hands.

Have the business challenges changed over the years?

Nihal: It is totally different. Today we are in a different, ever-changing world, so you cannot say you are a senior chartered accountant and sit tight. You have to keep on changing, otherwise you will lose the business.



NIHAL
HETTIARACHCHI
AND HIS SON
DINUK



Dinuk: I came into the company around 2000. We weren't as diversified as today, mainly focussing on audit and taxation and company secretarial work, which my father started 30 years ago and specialised in that. He was doing very well. When I got into the business, initially as a trainee learning the ropes, we found that our clients' businesses had grown and their needs had increased. They need more than audit, tax and secretarial services; they are going into new investments, they need BOI approvals, planning and accounting outsourcing. Their requirements are changing with times and technology.

In those days, when my father left the office, he had to go the next day to reply to correspondence. There was no email, everything went by normal post and the telephone was a land-line. So people got used to waiting until the next day to clarify something. Now, because of mobile and iPad, there is no cut-off - we are always connected. If somebody wants to clarify something they will phone my mobile at 10 at night. If I don't answer, they may go elsewhere. The business environment, the competition, has changed.

How important are family values?

Nihal: I am a Roman Catholic and we were brought up so that family values are very important, but things are changing, but for worse, not better. Unfortunately, in Sri Lanka family values are deteriorating. Everybody is in the rat-race and is busy and there is not enough time for the extended family, sometimes not even for your spouse and children. I think my son is a very good example! He is more of a business partner than a son and, although I meet him officially every day, outside the office, I meet him only on Christmas, New Year and Sinhalese and Tamil New Year!

Dinuk: I remember, when I was small, my father was not as busy as I am! You take your mobile on holiday. Four or five emails can put you back suddenly into work mode! Then your family is not happy about it. But I suppose, if you are running your own business, you have to get used to it.

How did your father being an accountant shape your own professional aspirations?

Dinuk: To be honest my original dream was to be an aeronautical engineer. I did electronics for my O-Levels, not commerce, and mathematics for my A-Levels. In 1998, when I finished my A Levels, I wrote to companies like McDonnell-Douglas and Boeing to ask about the prospects for aeronautical studies. However, at that time the Sri Lankan aviation industry was



NIHAL HETTIARACHCHI
STARTED NIHAL
HETTIARACHCHI & CO IN
1985.

Well, what was on my mind when I started the practice was that it wasn't easy, at 40, to have two teenage children, and for me to fail or fall sick. Fortunately, I had built up goodwill at John Keells - and they came to me as my first clients.

not as developed as today and there were no job prospects. So I naturally fell back on what my father was doing. When I started accountancy classes as a school-leaver, I hadn't heard the words "debit" or "credit" at all! That probably helped me to learn a little faster because I came out with a blank board, and absorbed what I was taught like a sponge, whereas my colleagues had a conflict of understanding because of what they had been taught previously.

I never got tutored by my father, although he has a very good way of teaching the young accountants we take in. I started out doing articles under Mr Priya Edirisinghe, when just fresh out of school. After nearly two years there I came back and completed my training here.

Nihal: When Dinuk was doing his articles, I put him under my guru and friend, Priya Edirisinghe - who was like a godfather to me. After some time he came and asked to continue under me. That was my worst mistake because, although he was an articulated clerk, everybody treated him as the boss' son. So he didn't get the normal "knuckle duster" treatment, everybody handled him with velvet gloves. Today I feel that, had he continued with Priya it would have been better - this way, he was his own boss. Of course, he has matured, and I think in another two-three years down the line, he will be able fully to appreciate the macro-picture.

How is the current economic climate impacting your firm?

Dinuk: When my father developed this firm from 1985 to 2009, we were in the worst of times because of the ethnic conflict. Of course, we did business and we grew. We are not politically aligned, but I have a lot of respect for the former president for taking that bold move to finish the conflict, once and for all, so that we can move forward. That environment definitely helped our business to grow. Many foreign firms came here and we had significant growth in the next five years: we were at the right place at the right time and rode the development boom. It is difficult to predict what will happen in the current state of affairs, but our hope is that the politicians will sort things out and establish a stable environment in which the private sector can develop. For us, what matters is that business happens! I believe that, as Sri Lankans, we have to protect our services, our products and our manufacturers; because we are a small country and we should not be swallowed up by others.

Nihal: My son was born in 1980 and the war broke out in 1983, so in effect his first 30 years

were spent in a conflict situation. Even I considered emigrating to the USA, but returned after two weeks because of the culture there. But this was because of the political situation. It didn't have such a great impact on our business because we have broken away from the conventions of traditional audit firms, which are famous for delays, their delivery being very poor. When I saw this practice 35 years ago, I realised that if you can deliver to your clients on the date you promised, the entire world is in front of you.

We did this and we have been very successful. I have learnt from V Prabhakaran his "human wave" style of management! Normal audit firms man their HR staff to accommodate the off-season, so when work comes, they find themselves short of staff. However, when I need five people, I recruit 15. There will be a little idle time here and there, but when any job comes and they say "when can you start", we can say "24 hours", which has given us a tremendous boost. Other audit firms are still the same, whereas we are streets ahead. Because of this, we now find it difficult to cope with the volume of work we receive. We keep increasing the staff, but have reached saturation point - because we don't want to take on new clients at the cost of on-time delivery.

What were the challenges in passing the business leadership to a second generation?

Nihal: We faced a lot of challenges. I have made a few mistakes. My own family is my biggest critic! I believe in the Japanese style of management. I am fortunate that I have very good staff, whom I treat like an extended family. It is my responsibility to ensure that, when they retire, they have a house and a car - all of them have cars. I don't have to work so hard because they are motivated to do their jobs. I hope that my son will be able to maintain such things when I am gone. I feel we have different management styles. He has, I think, a more modern, hire-and-fire type of style, although he is slowly adapting to mine.

Dinuk: There are very few firms which have gone down the generations. Other firms have been sold or have merged with another company and have changed. The second generation invariably moved overseas. In fact, I myself was a "brain drain" candidate. I applied for Australian citizenship and got it. I worked there but returned after the conflict here ended in 2009. If I had not, my father would have been alone here and would probably have sold the business.

In a family-run business generally there is no clear passing the baton as such. There won't be

Since I took over we have diversified, and a lot of my time is spent on those aspects of the business. We have an IT arm and an accounting services outsourcing arm. We have a hotel in Kalpitiya, which I was keen to do where we just got a certificate of excellence from Trip Adviser.



DINUK HETTIARACHCHI SAYS HIS FATHER IS STILL ACTIVE AND ON THE BALL, GIVING DINUK TIME TO GET THINGS GOING

a situation in this industry, as in manufacturing, for example, in which you can say "I am done, this is the process, this is the factory, run it". Certain things have to remain in that relationship for the business to move forward. For example, in our kind of business, we are in more of an advisory role, and it is personal contact which matters.

My father's clients, to whom he has been talking for the last 30 years will not suddenly start talking to me! There is an age difference, there is a relationship factor there, so his clients still talk to him. A tax practitioner, auditor or accountant is like another doctor: you go and tell them all your problems and they will find a solution. Once you tell them the problems, you feel better! In our firm, operationally I have taken over most of it, but still some consulting work is managed by him, and I want it to be that way, because that ensures a smooth transition.

The clients' second generation interacts with us. Our clientele is mostly SME (small and medium scale enterprises), 80-85% are family businesses and they have a next generation taking over. I still need him there because of his experience, which I draw on in sorting problems out. Some things are not written in books, it is just pure experience!

Have you diversified the business or changed direction, expanded?

Nihal: We have been on a recruitment drive, from one partner we have grown to five partners, and are taking on another in July. They are all students, who have joined for their articles and developed from there, not outsiders.

Dinuk: Since I took over we have diversified, and a lot of my time is spent on those aspects of the business. We have an IT arm and an accounting services outsourcing arm. We have a hotel in Kalpitiya, which I was keen to do where we just got a certificate of excellence from Trip Adviser. My father is still active and on the ball, so while he is doing that, I have time to get these things going.

Nihal: After my son came in, we diversified into a number of areas. That is certainly his plus point. However, the contributions made by the diversified arms, such as education, are not yet large. The bread and butter still comes from the audit firm and from the services connected to it, such as tax consultancy. It is like a gold mine, because we have built up a very strong and powerful clientele. The problem is to maintain it, and the peripheral, diversified business cannot develop at its expense. ■

G2

STICKING TO THE BASICS:

PRIYA AND PRIYAN EDIRISINGHE

The transition from father to son at Edirisinghe & Co is smooth because it is not direct

Priya Edirisinghe failed the O Levels, but started studying in earnest on his father's demise, and never failed an examination again. At 55, he gained a diploma in commercial arbitration! As a chartered accountant he worked in both the Public and Private Sectors before going abroad. He returned, joined John Keells and rose to deputy group finance director. He gained invaluable insights into business and people's thought processes after he started HLB Edirisinghe & Co, with two employees, in 1985. Both his sons, Priyan and Sheyan, became chartered accountants, but the latter went abroad, the former becoming second-in-command when Priya "retired" in 2010.

PRIYAN EDIRISINGHE
WITH HIS FATHER PRIYA





Well, what was on my mind when I started the practice was that it wasn't easy, at 40, to have two teenage children, and for me to fail or fall sick. Fortunately, I had built up goodwill at John Keells -and they came to me as my first clients.

PRIYA EDIRISINGHE
STARTED HLB EDIRISINGHE
& CO, WITH TWO
EMPLOYEES, IN 1985.

Have the business challenges changed over the years?

Priya: Well, what was on my mind when I started the practice was that it wasn't easy, at 40, to have two teenage children, and for me to fail or fall sick. Fortunately, I had built up goodwill at John Keells -and they came to me as my first clients. A fair number of senior people who left John Keells came to us. We were one of the first accounting firms to start on a computer, to which I had exposure at John Keells. I had to work out how to develop the practice, and I realised that doing tax and audit was not sufficient, so I started doing management consultancy and also set up a section for company secretarial work. We grew gradually thereafter, from two employees to five partners and about

80 staff now. We got international affiliations, first to an international chain which went down in the listing, and then we moved over to HLB, which was ranked 12th, internationally.

We are, by and large, a mid-range audit firm and so our clientele is, substantially, owner-managed companies (we also do some quoted companies). The risk element is different from owner-separate/management-separate companies. So we have to approach our audits differently: owner-managed companies, differ not in quality, but in guidance to the client of compliance requirements.

The difference between a practice and the private sector is that (a) you are your own boss and (b) you get a lot of satisfaction when a client goes in a certain direction and you have contributed to that in some way. For example, when we appeal successfully against a tax ruling, the client is happy; we don't advise tax evasion but we follow the best options to avoid taxation within the law.

How important are family values?

Priya: We value it a lot. I think it comes naturally, it depends on the background, the way you have been brought up. More than 50% of the good/bad, right/wrong and likes/dislikes, comes from the family. What you got from your parents is passed down to your children - with influence also from environment and school. Love and affection flows downwards and responsibility flows upwards. We are very united and close, without any issues as such.

Priyan: Definitely! I still look to him for guidance. He definitely has much more experience than I. We both try to be fair by everyone and not try to be ruthless; we try to keep some closeness in the office, to the office staff also. That too comes down from family and environment.

Priya: My elder son is a partner here, but my second is a partner at Price Waterhouse in Botswana. Although they are my sons, I never mixed the relationship with the business. We never discuss work at home, confining it to the office.

Experience cannot be bought, so the most senior person, Anura Jayasena, became Senior Partner, not Priyan, who was not taken as next in line after that, and is the second-in-command. Both my sons became CAs, not by compulsion, but by their choice. They developed on their own. Anyway in this business you have to dirty your hands!

Priyan: There is a four-year training period, so I started my articles at Ernst & Young. After that I joined him for a year or two, and went to the commercial sector, to work for a freight company. After that, I went to Botswana, where my brother is, but worked in the commercial sector, for Nokia. Botswana has a totally different environment from here, how to handle staff is critical. It is, of course, important here, too, but there I was a foreigner which put them on the defensive. I came back to Edirisinghe & Co about seven years ago, and since then I have been here. I have done chartered marketing and an MBA, in addition to my CA qualification.

How is the current economic climate impacting your firm?

Priyan: From what I have gathered from our clients, there is a bit of a lull in the economy, because of the elections and so on, but overall, mid- to long-term, everyone is positive that things will pick up and continue to improve.

Priya: I don't think there is a change as far as we are concerned. We have been growing reasonably well on a yearly basis, which is continuing. We didn't have clients from the North or East, so the separatist conflict didn't affect our earnings to that extent. It did however, affect the running of the office and the hours of work; some people didn't like to go to public gatherings. The effect was much greater during the Southern uprising in the 88-90 period. It was difficult then, and I personally went outstations for audits with the staff because I didn't want them to feel that I was staying safe and sending them into danger.

Priyan: Of course, when the conflict escalated towards the end, we were both overseas. I came back less than two years before it ended, so the impact was cushioned for us. It did affect our staffing, and I was worried about my children going to school, and so on.

What were the challenges in passing the business leadership to a second generation?

Priya: It was not very challenging, actually. It happened gradually: I didn't give instructions to my son, as it never went direct to him. He slipped into the system and I merely guided him. In fact there were times when I kept quiet and let him find his own way: each human being is different. I think it has worked! My experience in the private sector is that one has to slip into the system with every change of job, and I took that approach with him. He took

his position and was allocated work. We have a system in which we give target dates, follow up, and check up in front of all the partners - irrespective of whether you are the son of the boss or not - and he complied with that system. So there was no special treatment. Even if my second son returns from Botswana, while there is a place for him, he cannot simply join at a top position, but must enter at his own level.

Priyan: I didn't feel pressurised so much. I worked here, for nine years in all, from the manager level and progressed upwards

PRIYAN EDIRISINGHE
WORKED HIS WAY TO THE
TOP TO BECOME PARTNER
IN HIS FATHER'S FIRM

We have a system in which we give target dates, follow up, and check up in front of all the partners - irrespective of whether you are the son of the boss or not - and he complied with that system.

So there was no special treatment.



gradually - the first time, I joined as a manager, which would have been my next step up, having worked at Ernst & Young as a supervisor. The fact that I worked elsewhere from the bottom up definitely helped in the transition. For one thing, the environment is different at Ernst & Young, which is much bigger than us, giving me a completely different perspective: how they handle employees, how you interact with the partners, and how the partners interact with clients. Because of family values and so on, there is a nuanced difference in the way we tackle the staff, and the clientele is also different - we have mid-level clients. So I gained two different perspectives on the same business. Also some of the contacts and friends I made at Ernst & Young are now clients of ours and wherever you go you can always find a colleague or someone from Ernst & Young to whom you can refer.

I try to guide the juniors to decide whether they can measure up to the tasks they wish to accomplish.

They need to be aware that they can move forward on their own efforts.

Priya: There is one significant aspect of which I was conscious during the transition, which is the reaction of the staff to the boss' son. They feel they need to be more courteous and nice to him. However, because I was conscious of this and because he was not coming in as Number One after me, there was no special treatment given to him. There were no family relations insofar as work was concerned, and it worked. To me that is vital, the most important thing in the transition.

Have you diversified the business or changed direction, expanded?

Priyan: The new generation has not diversified as such, but we definitely have expanded quite a bit over the years. One of the challenges is to continue to expand. To my mind, you should do what you know and what you are good at. I don't like to experiment down different avenues. However, we are trying new businesses which are related, fundamentally, to accounting and innovate within the professional frame-

work. For example, in July we are changing our network from HLB to Baker Tilly, which is eighth in the listings, so that we can get more references, get better international contacts. To that extent we do diversify, but within our own framework.

Priya: I don't think professional firms can go beyond their recognised knowledge-base, so it has to be confined to audit and assurance, tax and consultancy- which can also cover laws in the commercial field, such as BOI approvals and so on. For example, if there are acquisitions or mergers, we cannot deal with them, but we can advise on certain aspects.

Priyan: We may accept work which is outsourced to us. However, that is in relation to their accounts. We do some outsourcing work for our clients when they need help, when they are starting up, for example. But it is all within the framework of accounting, and we won't be starting outsourcing like a call centre.

Have you any advice for the younger generation?

Priya: Each generation is different. I remember about 1976 when the chairman of John Keells,- Mark Bostock, decided to buy the Mackinnons building over lunch at the Colombo Club. Although it was Rs 3-4 million (a large sum in those days), there was no due diligence. Nowadays it would go through a series of stringent tests of compliances, checks of assets and liabilities, and so on. Trust is not so important now - it is more verification, responsibility and accountability.

The most important thing, as I said earlier, is the character build-up. Right and wrong, good and bad, come from the brain, while likes and dislikes come from the heart. These are brought to the individual by parents, environment and school. From these follow "do I want to be successful?", "will I say no to anything?" and so on. I try to guide the juniors to decide whether they can measure up to the tasks they wish to accomplish. They need to be aware that they can move forward on their own efforts. Of course, they also need to treat people fairly. I need to respect the servant because she knows how to cook better than I!

Priyan: I think attitudes are changing, for example among our staff. Some of the new generation are here today and gone tomorrow, but we try to get them to stick it out and follow one thing, focus on it and go forward. ■

Update

Over 80 corporate directors rewarded by CA Sri Lanka

A total of 23 high-profile corporate directors were bestowed with the 'Accredited Director' status, while 58 directors were awarded with a certificate of participation by CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC) on 7 May 2015 for successfully completing the Corporate Directors Programme. The awards ceremony was held under the patronage of Mr. Tilak Karunaratne, Chairman of the SEC.

As the trustees of the shareholders, directors play a major role in the business. Therefore, being equipped with financial reporting requirements and governance aspects has become vital for directors to perform their duties and responsibilities diligently. With this objective in mind, CA Sri Lanka and the SEC came together last year to introduce a groundbreaking programme for directors to help uplift their knowledge and skills, and equip them

with the required knowledge in today's constantly changing context.

Having completed two successful intakes, the directors were recognized at the awarding ceremony for successfully completing the required modules of the programme and those who have

fulfilled the requirements to be recognized as Accredited Directors.

The programme was conducted over 10 sessions and featured a combination of lectures, panel discussions and work group sessions conducted by well-known experts including representatives from the corporate community, regulatory agencies, corporate lawyers, financial analysts, auditors and assurance providers.

While congratulating the directors, President of CA Sri Lanka Mr. Arjuna Herath emphasized that a director's role is both critical and wide in their capacity as trustees of shareholders. "In today's complex and constantly changing world, challenges are part and parcel of a director's daily life. Therefore,

as an institute that is championing good governance and continuously endeavoring to offer the country's professional community with the thought leadership and most pertinent of programmes for their advancement, the Corporate Directors Programme is yet another important initiative aimed at enhancing the country's corporate leadership," he said.

He added that the importance of the programme was obvious by the overwhelming response it received, which led to a quick comeback for a second time in 2014, although the original schedule was to organize one programme per year.

The third intake of the Corporate Directors Programme commenced on 12 May 2015. ■



Update

CA Sri Lanka kicks off mentoring programme to nurture chartered accountants



CA Sri Lanka recently kicked off its inaugural mentoring programme 'Nurturing Aspirations' aimed at nurturing newly qualified chartered accountants.

The programme aims to maximize the potential of newly qualified chartered accountants who were given the rare opportunity to listen and learn from senior chartered accountants (also members of the institute) who have successfully climbed the corporate ladder and hold distinguished positions across leading companies in the country. "We want to ensure that this trend continues," said President of CA Sri Lanka Mr. Arjuna Herath.

Mr. Herath noted that young chartered accountants are the new ambassadors and flag bearers who will take the profession and the institute forward. Having understood their role, CA Sri Lanka created a platform to impart the knowledge, experience,

wisdom and skills possessed by senior members to the new members.

The mentors of the programme were Mr. B. R. L. Fernando - Former Chairman, CIC Holdings PLC, Mr. Lalith Fonseka - Joint Managing Director, Mackwoods Ltd, Mr. Trevine Jayasekara - Group Finance Director, Brandix Lanka Ltd, Mr. Mahendra Jayasekera - Managing Director, Lanka Walltiles PLC, Ms. Coralie Pietersz - Finance

Mr. Herath noted that young chartered accountants are the new ambassadors and flag bearers who will take the profession and the institute forward.

Director, Finlays Colombo PLC, Mr. Mano Rajakariar - Group Financial Controller, John Keells Holdings PLC, Mr. Suresh Shah - Director / CEO, Lion Brewery (Ceylon) PLC, Ms. Nilanthi Sivapragasam - Chief Financial Officer, Aitken Spence PLC, Mr. Rajendra Theagarajah - Director / Chief Executive Officer, National Development Bank PLC and Mr. Nihal Welikala - Financial Consultant.

Vice President of CA Sri Lanka Mr. Lasantha Wickremasinghe emphasized that, to reach the top, a professional needs knowledge, skills and support. "This programme will enhance the quality and future of young chartered accountants," he said. He noted that mentoring is considered an important element in career progression.

Chairman of the Professional Accountants in Business Committee of CA Sri Lanka, Mr. Nandika Buddhip-

ala said that the programme was very important for new members as they will receive important insights and tips that will be of great use for their professional journey.

He also thanked the ten mentors who readily accepted the invitation to be part of the programme and shared their knowledge and insight with the younger generation of chartered accountants.

Alternate Chairman of the Professional Accountants in Business Committee, Mr. Heshana Kuruppu said that four primary roles were expected of a professional accountant, and they were the roles of value creator, value enabler, value reporter and value preserver. Mr. Kuruppu also said that exposure is also essential for success in the professional life, along with experience and education. "That is why we thought of exposing our new members to senior members who have been value creators and value enablers." ■

Sanath Fernando re-appointed to IFRS SME Implementation Group

Member of CA Sri Lanka and Partner of Ernst & Young, Mr. Sanath Fernando was recently re-appointed to serve a second term in the Implementation Group of the International Financial Reporting Standards for small and medium-sized entities (IFRS for SMEs).

The appointment was made by the IFRS Foundation, the international body responsible for the adoption of IFRS and the oversight of the International Accounting Standards Board (IASB). The IFRS Foundation selected the group members based on their knowledge and experience in financial reporting for SMEs. Representatives of the European Commission and the European Financial Reporting Advisory Group (EFRAG) will participate as observers. Mr. Fernando is a Fellow Chartered Accountant, a Fellow member of the Institute of Chartered Management Accountants of UK and a member of CMA Sri Lanka. He possesses experience in implementing IFRS, based on which Sri Lankan Accounting Standards are developed. He is also the chairman of Ernst & Young's Asia Pacific Accounting Subject Matter Group on IFRS for SMEs and a member of the Financial Reporting Standards Implementation & Interpretation Commit-



tee of CA Sri Lanka. Mr. Fernando currently serves as the chairman of the Sri Lanka Financial Reporting Standards Education Committee. The mission of the IFRS SME Implementation Group is to support the international adoption of IFRS for SMEs and monitor its implementation. The group's two main responsibilities are to develop non-mandatory guidance for implementing IFRS for SMEs in the form of questions and answers that will be made publicly available on a timely basis; and to make recommendations to the IASB if and when needed regarding amendments to IFRS for SMEs.

The IFRS for SMEs is designed to meet the needs and capabilities of SMEs, which are estimated to account for over 95% of companies around the world. The local version of IFRS for SMEs, which is called Sri Lanka Accounting Standards (SLFRS) for SMEs, became operative for financial statements covering periods beginning on or after 1 January 2012. ■

CA Sri Lanka President meets SAARC Secretary General



President of CA Sri Lanka, Mr. Arjuna Herath, in his capacity as the President of the South Asian Federation of Accountants (SAFA), recently met the Secretary General of SAARC, Mr. Arjun Bahadur Thapa, in Kathmandu, Nepal. He was accompanied by a delegation of SAFA officials. During the meeting matters of mutual interest with regard to the development of the accountancy profession in South Asian were discussed. In January 2015, Mr. Herath took over the leader-

ship of SAFA, which is the apex accounting body of the South Asian Association for Regional Co-operation (SAARC).

In his capacity as the President of SAFA, Mr. Herath has pledged to unify individual strengths to create a synergy for the benefit of all SAFA member bodies, and to influence and voice the perspectives of the South Asian region at an international level on matters in relation to the accounting profession and allied areas. ■

CA Sri Lanka and CIMA to conduct CPD programmes

Accounting giants CA Sri Lanka and the Chartered Institute of Management Accountants (CIMA) joined hands recently to bring together a series of Continuous Professional Development (CPD) programmes to enhance the knowledge base of the country's accounting professionals.

The Memorandum of Understanding (MoU) signed between CA Sri Lanka's President Mr. Arjuna Herath and CIMA Sri Lanka President Mr. Vipula Gunatillake will pave the way for the two institutes to jointly conduct six CPD events for the benefit of the membership of the institutes. Speaking on the significance of the agreement, Mr. Herath said that accountants are a versatile group of professionals who are in demand and

play a major role in the sustenance of an organisation. "In an era of immense competition and complexities, accountants need to stay ahead of the game at all times. As a responsible institute that is always at the forefront in offering our stakeholders the best of professional development, we have joined with CIMA to offer a series of unique programmes to enhance the knowledge of CA Sri Lanka and CIMA members," he said.

"CIMA and CA Sri Lanka are two longstanding institutions that have contributed to the development of management and finance professions respectively. This MoU is a conscious collaboration to enhance the CPD of the members of both fraternities," Mr. Gunatillake said. ■

Update

CA Sri Lanka and SLASSCOM educate accountancy firms on how to become 'global' in FAO

With Sri Lanka fast emerging as a global centre of excellence for Finance and Accounting Outsourcing (FAO), a large number of practicing chartered accountancy firms were recently educated by CA Sri Lanka, together with the Sri Lanka Association of Software and Service Companies (SLASSCOM), on how to become global and take advantage of being a player in the FAO sector.

In an edifying presentation, Mr. Ruwindhu Peiris, Director of SLASSCOM, and Mr. Omar Fatha Rally, General Council Member of SLASSCOM, noted that Sri Lanka was identified as a global centre for excellence in financial accounting, and has also been termed a 'hidden gem' in the global offshoring business. They noted that Colombo ranked 5th, just below Mumbai,



Chennai, Delhi and Manila, in the FAO Centres of Excellence category. Sri Lanka also has the second-largest pool of UK-qualified accountants, after the United Kingdom.

The country's IT/BPM industry is hoping to achieve USD5 billion in revenue by 2022 and generate 200,000 jobs, with 1,000 new startups.

However, Mr. Peiris and Mr. Fatha Rally also pointed out that if Sri Lanka was to achieve this target, concerted

action was required by the government, academia and industry in four key areas. They added that breakthrough marketing and promotion were also important to reach the objective targets. The other three areas that required focus were innovation in talent supply and quality, a world-class business environment, and infrastructure. The fourth area was unleashing innovation, entrepreneurship and creativity, all which were key areas that would help

propel Sri Lanka further as an FAO centre of excellence.

Meanwhile, in an effort to help Sri Lanka achieve its FAO targets, CA Sri Lanka and SLASSCOM jointly set up an FAO task force, which paves the way to recognize and enable practicing firms and local providers of accounting and finance services to have good potential to leverage their current infrastructure, capabilities and networks to make a mark in the FAO landscape. ■

CA Sri Lanka Vice President highlights the importance of staying relevant and up to date

Vice President of CA Sri Lanka, Mr. Lasantha Wickremasinghe recently underscored the importance for accountants to stay relevant and up to date if they are to maintain their demand and importance.

Delivering a speech on 'Accounting Education & Global Business Outsourcing' at the 2015 IDeA Night organised by the Department of Accountancy of the University of Kelaniya, he emphasized that accountants are an integral part of an organization and a country, and play a leading role in managing the sustainability of an organisation. "Today, accountants, including members of CA Sri Lanka, give leadership at the highest positions in leading organizations," he said.

He also noted that, with globalization and vast strides in

information technology, there has been a dramatic change in the overall business environment. "These changes have brought new challenges not only to businesses and professionals, but also to education," he said. Having understood the importance of remaining relevant, CA Sri Lanka has made IT a key pillar in its new curriculum, which came into effect this year, to ensure that future chartered accountants encompass knowledge in accountancy, as well as other areas that are important in making him/her a smart professional.

He elaborated that, in the current economic landscape, outsourcing has become a cost-effective way for organizations to attain and sustain operational excellence. He also said that Fin-

ance and Accounting Outsourcing (FAO) is one of the fastest-growing areas of outsourcing, delivering significant payback to organizations. "Global business outsourcing provides freedom and flexibility to businesses that might otherwise be limited. Businesses that utilize global outsourcing are better positioned to adapt and grow while ensuring quality in the services and products they provide," Mr. Wickremasinghe said.

Hence, he noted that the accounting education system should be geared to generate the required skilled accounting employees for the global outsourcing market.

"We understand the fact that accounting plays a critical role in economic development through instituting transparent quality

financial reporting, which facilitates mobilization of domestic and foreign investment, and creating a sound financial landscape. Therefore, it is important for both universities and professional bodies to ensure that the accounting education and the curriculum they offer are in line with present international standards and demands," Mr. Wickremasinghe stressed.

"To meet local and global development needs, CA Sri Lanka has initiated an important programme to offer a specialized qualification for the FAO sector. I believe this will help to change the face of our professionals who are keen to pursue a career in the outsourcing business, and will undoubtedly help Sri Lanka to become an important FAO destination," he added. ■

CA Sri Lanka and Inland Revenue to strengthen relationship



President of CA Sri Lanka, Mr. Arjuna Herath recently underscored the importance of a more proactive relationship between the institute and the Department of Inland Revenue, which will result in further strengthening the country's tax framework and improving the relationship with the tax payer.

Speaking at a felicitation ceremony to welcome the new Commissioner General of the Inland Revenue, Ms. Kalyani Dahanayake, the President of CA Sri Lanka said, "We would like to see our rapport with the Inland Revenue strengthened further and, if possible, representatives of the Inland Revenue in our committee structure. Similarly, we will be happy to play a role in the activities of the department, as we believe that we understand the pulse of

the tax payers, therefore, we can make a significant contribution to the department." Mr. Herath also said, "In that context, we would like to explore possibilities going forward under your leadership, as to how we can strengthen the relationship between CA Sri Lanka and the Inland Revenue Department further."

Speaking at the event, Ms. Dahanayake expressed her agreement on the importance of developing a closer working relationship with members of CA Sri Lanka, as tax and accounting professionals can be resourceful since they help invigorate the tax industry.

"Accountants enhance the effectiveness of the governance process, which in turn prevents manipulation. That is why the concept of auditing is so important and vital in this process,"

she said, adding that the important service rendered by tax and accounting professionals will help bring in revenue to the country. She also said that the services of these professionals were a requirement for a better tax structure in the country.

Mr. Duminda Hulangamuwa, Chairman of the CA Sri Lanka Faculty of Taxation expressed his confidence that Ms. Dahanayake will guide the department against any challenges and will take it to greater heights. "I am certain she will be instrumental in enhancing revenue collection, eliminating bias and ensuring an equitable tax administration, thereby guiding the department to greater heights as one of the most efficient and recognized departments in the country," he added. ■

CA EVENT CALENDAR

CA Members Dinner Dance

04th July 2015
Contact: Members Division
(2502077)

Seminar on Key Economic Indicators Effect on Budgeting and Planning

08th July 2015
Contact: Shavinda De Silva
(2352000)
(Ext. 1438)

Due Diligence to Beat Odds - M&A Workshop

22nd July 2015
Contact: Nuwan Dishan
(2352000)
(Ext. 1204)

Amba Valuation Boot Camp

25th and 26th July 2015
Contact: Nuwan Dishan
(2352000)
(Ext. 1204)

Strategic Summit 2015

28th, 29th and 30th July 2015
Contact: Nuwan Dishan
(2352000)
(Ext. 1204)

Members Orientation Seminar 2015

03rd September 2015
Contact: Naleen
(2352000)
(Ext. 1515)

Training Partners Awards Ceremony

26th August 2015
Contact: Training Division
(2352000)
(Ext. 1421)

Members Convocation Ceremony 2015

10th August 2015
Contact: Naleen
(2352000)
(Ext. 1515)

Update

Sri Lankan companies play a crucial role in the development of UK financial services

The visiting Rt. Hon. the Lord Mayor of the City of London, Alderman Alan Yarrow recently declared that Sri Lankan companies have played a crucial but unseen role in the development of financial services in the United Kingdom.

Citing reasons for his disclosure, Alan Yarrow, who is also the Chairman of the Chartered Institute for Securities & Investment (CISI), said, "Take for example MillenniumIT, which provides the software on which the London Stock Exchange operates."

Addressing a high-profile gathering of the country's top Chief Executive Officers at the CEOs' Forum organised by CA Sri Lanka and CISI on 'Maintaining Competitiveness in Financial Services Sector - Insights from the City of London as the leading global financial centre', Alan Yarrow extended the support of the UK to help develop the financial services industry in Sri Lanka.

Elaborating on the UK's position as a leading global financial centre, he said that the country is the world's leading exporter of financial and professional services with a trade surplus of £71 billion in 2013, apart from being the largest source of insurance funds and pensions in Europe.

According to him, investment in financial technology is growing faster in the UK and Ireland than anywhere else in the world, while the



UK has also accounted for 41% of global foreign exchange trading in April 2013 - well ahead of the US, Japan and Singapore.

The UK is also the leading Western country for Islamic finance, with USD19 billion in reported assets. Additionally, almost two-thirds of all RMB payments outside China and Hong Kong now take place in London, and 28% of all international RMB payments are made in the UK - the most outside Hong Kong and mainland China.

"In essence, the City of London has an unrivalled concentration of capital and capabilities, as well as a regulatory system that is effective, fair and principled. And this means that more overseas financial institutions and investors choose to do business in, and with, the UK than any other country," he noted.

At present over 2 million people work in the financial

services sector in the UK, but only 400,000 of them work in London, while the rest work in other financial hubs.

Speaking about the insurance industry, he said there are 976 general insurance companies in the UK, and the industry boasts a number of compelling reasons for overseas firms to invest - including UK's expertise and skill base. "We've also got a robust legal and regulatory framework, and the law of contract is critical; we've got liquid capital markets, transparency in financial reporting and a good geographic position," he said. With such a positioning, Alan Yarrow said that UK's insurance industry continues to attract investment from a broad range of overseas investors, as well as from local UK-based businesses.

"The events of the past few years provide a reminder of the importance of firms

acting and demonstrating their honesty, openness, transparency and fairness in all their business activities," he said. Alan Yarrow noted that poor actions by single individuals can result in great costs to firms, both financially and through the loss of reputation. "Fostering an environment of trust, integrity and professionalism leads to greater confidence - ultimately strengthening a firm's reputation in the market. To use a cliché about trust: it arrives on foot and leaves in a Ferrari," he added.

The CEOs' Forum was further boosted with a panel discussion featuring Mr. Rajendra Theagarajah - CEO of NDB Bank PLC, Mr. Dilshan Wirasekara - CEO of First Capital PLC and Mr. Chanakya Dissanayake - Country Head of Copal Amba. Mr. Nisthar Cassim - Editor of the Daily FT, moderated the session. ■

CA Sri Lanka, ICTA and SLASSCOM unveil specialised FAO qualification

Deputy Minister of Policy Planning and Economic Affairs, Dr. Harsha de Silva recently praised CA Sri Lanka, the Information and Communication Technology Agency of Sri Lanka (ICTA) and SLASSCOM for taking the initiative to develop a specialised qualification specifically targeting the Financial Accounting Outsourcing (FAO) and Business Process Outsourcing (BPO) industries in the country. Speaking at the launch of the Certified Finance and Accounting Specialist (CFAS) qualification, Dr. de Silva called the initiative jointly mooted by CA Sri Lanka, the ICTA and SLASSCOM an 'amazing' initiative that should have ideally been taken by the government, as they have the primary responsibility in ensuring the country has the necessary skilled workforce.

He also underscored that Sri Lanka is no longer in a position where it can be compared to countries such as Pakistan, Bangladesh or Nepal. "Instead, we have to aim higher and compare ourselves with developed countries," Dr. de Silva said.

He also disclosed that the government's game plan was to make Sri Lanka the most competitive economy in this part of the world within the next five years. He also stressed on the importance of taking qualifications such as CFAS to the rural parts of the country, so that the country will have a skilled workforce comprising of youth not only from urban cities but also from villages. Delivering the welcome speech, President of CA Sri Lanka Mr. Arjuna Herath said that with the vision to make Sri Lanka the preferred BPO/FAO destination in the world, CA Sri Lanka took it upon itself, as the national accounting body, to develop a specialised qualification for this area, with the support of ICTA and SLASSCOM. He also noted

that it was imperative to work closely with the industry to ensure the success of this initiative. "This is a very unique and timely qualification that we are offering," he said, adding "I am certain that the CFAS qualification will contribute to the enhanced standards of quality that Sri Lanka can offer the world as a FAO destination."

Chairperson of ICTA, Ms. Chithrangani Mubarak said, "If you don't have a skilled workforce that can perform IT services to a global delivery standard, a successful IT/BPM industry simply cannot take root in the country."

She said that the BPM industry is poised for rapid growth and the FAO sub sector is widely considered to have the most potential – the expected annual growth of 8% through to 2017 is very promising. "Sri Lanka is well positioned to take advantage of this growth. I am told that the last few months have seen a renewed interest by international companies in setting up their operations in Sri Lanka across sectors," she told the audience.

Vice Chairman of SLASSCOM, Mr. Arul Sivagananathan said that SLASSCOM's vision for 2022 is for the industry to achieve the USD5 billion mark, along with 200,000 direct employment opportunities and 1,000 startups.

"Today, we are an industry that is worth USD1 billion, and we hope to increase this to USD5 billion by 2022, but to get there we need to ensure that some areas which are lacking are addressed. Among these areas is the lack of qualified people, which I believe this course can address," he added. He also disclosed that companies are willing to go the extra mile and pay an extra premium to hire qualified persons. "So, hopefully this course will take off and make the difference in the FAO industry." ■

Goodhope Asia Holdings powers CA Sri Lanka with lead sponsorship



Goodhope Asia Holdings Ltd, the holding company of the Plantations, Oils and Fats Segment of Carson Cumberbatch PLC, recently came onboard to power CA Sri Lanka with a lead sponsorship, which will help the institute carry out its activities for the benefit of its stakeholders including members, students and the public. The sponsorship cheque was handed to President of CA Sri Lanka Mr. Arjuna Herath by Chief Financial Officer of the Goodhope Group Mr. Shalike Karunasena.

"Our partnership with CA Sri Lanka, the national body of accountants, will help attract high-quality talent with unparalleled training in the field of finance, while enabling us to strengthen our network within the financial professionals' fraternity in the country. We believe this partnership will support our goals and assist in creating effective finance leaders to drive our business into the future," Mr. Chandana Tissera, Group Chief Executive Officer of Goodhope Asia Holdings Ltd, said.

Welcoming Goodhope Group onboard for the very first time, Mr. Herath said that this was the beginning of a partnership that will tremendously benefit both organizations. "I am very pleased to welcome a company in the stature of Goodhope as a lead sponsor of CA Sri Lanka. Having organisations such as Goodhope

support us is also an endorsement of the institute's mission to continue to serve society by promoting and developing the accountancy sector," he said.

With a vision of becoming an 'Integrated Globally Recognized Player in the Food Industry', Goodhope's talent philosophy is to be 'An Employer of Choice'. The Group endeavours to provide people with ideal opportunities to reach their career aspirations by inculcating a conducive learning environment, together with global business exposures. Goodhope strives to create agile, pro-active and dynamic teams to drive business growth, and empowering them with a state-of-the-art systems driven workspace equipped with business intelligence tools and processes in order to build leaders of tomorrow.

Goodhope Asia Holdings Ltd has a land-bank of over 150,000 hectares of oil palm plantations and caters to globally renowned brands in over 50 countries in the confectionery, bakery and ice cream industries. The Group also operates Business Systems & ICT Services, Business Process Management and Management Services segments, which drive its strategic priorities and business objectives. Goodhope has operations that span across five countries in the Southeast Asian region, with an employee base of over 15,000, which continues to grow with business expansion. ■

CA Sri Lanka facilitates the setting up of a professional accountancy body in Bhutan

In an effort to develop the accounting profession in South Asia, President of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Mr. Arjuna Herath visited Bhutan recently to facilitate the setting up of a professional accountancy body and to introduce International Financial Reporting Standards (IFRS) to the public and corporate sectors in the country.

Mr. Herath made the special visit in his capacity as the President of the South Asian Federation of Accountants (SAFA), the apex accounting body of SAARC, on invitation by the Accounting and Auditing Standards Board of Bhutan (AASBB) to assist them to discuss with the Government of Bhutan and other stakeholders on the setting up of a Professional Accountancy Organisation (PAO) and an Independent AASBB.

Mr. Herath was accompanied by a team of experts from CA Sri Lanka who conducted a training programme on IFRS for the benefit of corporates, public interest entities and professionals in Bhutan. The

training conducted by CA Sri Lanka experts facilitated the implementation of IFRS/Bhutanese Accounting Standards.

During his visit, Mr. Herath met with several high profile Bhutanese officials including Mr. Dasho Daw Tenzin, Governor of Royal Monetary Authority of Bhutan, Mr. Nim Dorji, Joint Secretary of the Ministry of Finance in Bhutan, Mr. Ugen Chewang, Auditor General of Bhutan and chairman of AASBB, and Mr. Karma Yeshey, Registrar of Companies in Bhutan. He also met with members of the Technical Working Committee and discussed the required legislation, institutional framework, education and training, and standard setting and compliance monitoring process in relation to the proposed PAO and Independent AASBB.

Mr. Herath's visit to Bhutan is consequent to a visit by Mr. Ugen Chewang to Sri Lanka in August last year to familiarize himself with the setting in which CA Sri Lanka operates, how it is structured and its operations. ■

CA Sri Lanka inaugurates overseas chapter in the UAE



CA Sri Lanka ceremoniously inaugurated its overseas chapter in the United Arab Emirates (UAE) recently in the presence of diplomats and professionals at the Emirates Ballroom of the JW Marriott Marquis Hotel in Dubai. The event was held under the patronage of Vice President of CA Sri Lanka Mr. Lasantha Wickremasinghe, Charge de Affaires of the Sri Lankan Embassy in Abu Dhabi, and the Consul General of the Sri Lankan Consulate in Dubai and Northern Emirates.

In his speech, Mr. Wickremasinghe noted that CA Sri Lanka stakes claim to being one of the most progressive and influential members of the International Federation of Accountants, which is the global apex body of accountants. "Members are our primary stakeholders, and have played a key role in uplifting the image and standing of our prestigious institute while also giving leadership to enhance the accounting profession in Sri Lanka as well as overseas, including the Middle East," he said.

Mr. Wickremasinghe pointed out that CA Sri Lanka members were not only a significant contributor to the foreign exchange that the country receives, but was in fact an ambassador for Sri Lanka, as well as for the accounting profession as a whole. "You are

the face of our nation, and thus the responsibilities lying on your shoulders are vast," he said.

With a consistently increasing presence of CA Sri Lanka members across all continents, the institute has over the years established several chapters including in Qatar and Bahrain, which serve for the professional progression of the members living overseas.

"These chapters have played an important role in bringing our members together in those respective countries, while also working towards their professional development. Today, we boast of an international presence with over 30 percent of our members located in 40 countries. The UAE has a very large number of our members, which was why steps were taken to establish a chapter here," Mr. Wickremasinghe said.

Mr. Wickremasinghe also said that the UAE chapter, with its strategic location, can help position Sri Lanka in the world arena by further facilitating and enhancing trade and investment between Sri Lanka and the UAE.

The inauguration ceremony was further bolstered with the presence of representatives of other professional accounting bodies and approximately seventy members of CA Sri Lanka residing in UAE. ■



Jaeger-LeCoultre: Grande Reverso Calendar
Available at Chatham Luxury Watches

SPORTING TIMEPIECES

FROM RACECAR AFICIONADOS TO ARDENT CRICKET FANS, EVERY SPORT HAS ITS OWN FOLLOWING. WATCHMAKERS ARE CAPITALIZING ON THEIR ENTHUSIASM WITH SPORTS-CENTRIC COLLECTIONS.

BY AVANTI SAMARASEKERA

Today, the wristwatch is a piece of jewellery rather than a device that tells the time, and one classification of watch wearers is sporting enthusiasts. But you don't have to be a sporting star or spectator to wear these watches. With most, if not all, watch brands endorsing a specific sport and sporting brand ambassadors, customers are often treated to limited edition (at momentous occasions) and theme collections.



Withstanding The Hard Knocks Of Life

Jaeger-LeCoultre's Reverso watch was crafted in 1931 in response to British colonial officers' challenge to have a watch that was capable of surviving a polo match. It was a step up from Nineteenth century soldiers who addressed the vulnerability of the watch by fixing metal grills over the dial of the watch to protect the glass, while still allowing the time to be read easily. Jaeger-LeCoultre's Reverso range garnered interest for its unique swivel design that enabled the watch face to be turned 180 degrees back-to-front leaving a protective metal case to bear the hard knocks.

However, despite being originally designed as a sports watch, the Jaeger-LeCoultre Reverso has now gained classic status due to its commitment to customisation. Over the years, the Reverso collection has featured over 15 watches, including a range for ladies in 18-carat pink gold and incorporating diamonds. The Grande Reverso Calendar had a complete calendar, in addition to the hour and minute functions, in the form of two windows that reveal the date and the month. At 6 o'clock, the date indicator surrounds a disk that shows the lunar cycle.



Tagging Along On All Life's Adventures

Despite not being in the same league as the aforementioned with regard to price point, TAG Heuer is a name more familiar to Sri Lankans. From movie stars such as Shah Rukh Khan and Leonardo DiCaprio to sporting legends including Maria Sharapova and Lewis Hamilton, TAG's brand ambassadors have been pivotal in positioning the brand in the country and grabbing the attention of sporting enthusiasts.

Wristwatches worn by drivers of Formula 1 cars are subjected to brief, repetitive movements and intense vibration. TAG Heuer's Formula 1 tests the operation of the watch, its components, bracelet and screws under similar conditions, reproducing this vibration at a level well above normal and ensuring that it is not affected in any way. The Formula 1's water resistant feature also protects the components, reduces the need for servicing and prolongs battery life.

This timepiece by TAG Heuer has six key features: 1/10th of a second display, water resistant up to 200m, 'easy grip', screw-in crown, double security folding clasp and a surface made of sapphire crystal for durability.

All TAG Heuer quartz watches also have an end-of-life indicator, but the exact time is not displayed until the battery is exhausted.

Tag Heuer: Formula 1

Available at Colombo Jewellery Stores

For The Athlete In You

Whether you are a weekend roadie or like freewheeling on a mountain bike, cycling is for anyone and everyone. And it's fast catching on in Sri Lanka.

For years, cycling has been one sport to which Tissot is most committed. In line with this commitment, the brand, a choice name among Sri Lankans, has also been the sponsor of many cycling events such as Tour de France. For Tissot, this meant attracting a wide audience who associate themselves with this pastime based on endurance, precision and performance. Adding to these sponsorships, Tissot is also the Official Timekeeper and Sponsor of the World Championships of road,

track, mountain bike, BMX and the World Cup Classics track series.

The Tissot Racing-Touch acts as more than just a watch. It features an easy-to-use stopwatch capability that turns the watch into a personal trainer, allowing users to record lap times for single runners or different participants in the same event. The lap chronograph function enables recording up to 99 lap times via a special logbook feature.

The Tissot Racing-Touch also has a compass, dual time zone capability, backlight and a tide-calculator to cater for optimised hours spent at the beach.



Tissot: Racing-Touch

Available at W. A. De Silva & Co.

Entering The Cricketing Hall Of Fame

One of the world's most popular sports in terms of fan base, cricket gained another supporter in Hublot. The Swiss watchmaker's appointment as the official timekeeper for the ICC Cricket World Cup 2015 got Sri Lanka's cricket fans buzzing.

To mark its entry into the world of cricket, the Swiss watchmaker has developed a Classic Fusion Chrono Cricket watch especially for devotees. This watch is available in two versions: a King Gold limited edition of 100 pieces (18-carat gold with an extra 5%

platinum, which gives it an intense red colour) and a lightweight and more impact resistant titanium edition of 250 pieces. Each watch is delivered with a second white strap to suit the customer's mood.

The dial of the watch features a triple appliqué at 12 o'clock resembling the three wickets, while the hands on both counters are shaped like cricket bats. The case-back bears the exclusive symbol of the ICC Cricket World Cup 2015, and the red calfskin leather strap features similar stitching as that on a leather (cricket) ball.



Hublot: Classic Fusion Chrono Cricket - King Gold

Available at Colombo Jewellery Stores
(sole agent for Hublot in Sri Lanka)



Racing Against Time

Since the McFoil Classic Cavalcade, the first-of-its-kind event, was held at the Pannala International Motor Racing Circuit in 2003, classic car racing has been part and parcel of motor racing in Sri Lanka. With an increasing number of motor racing and vintage car owners clubs, classic car racing has gained many fans, a number of whom are aficionados of Chopard's Mille Miglia collection.

The Mille Miglia Gran Turismo XL was designed after legendary racing cars. The 44 mm diameter and oversized white 12 and 6 numerals

on a black dial, Mille Miglia Gran Turismo XL watch is made in stainless steel with a 46-hour power reserve.

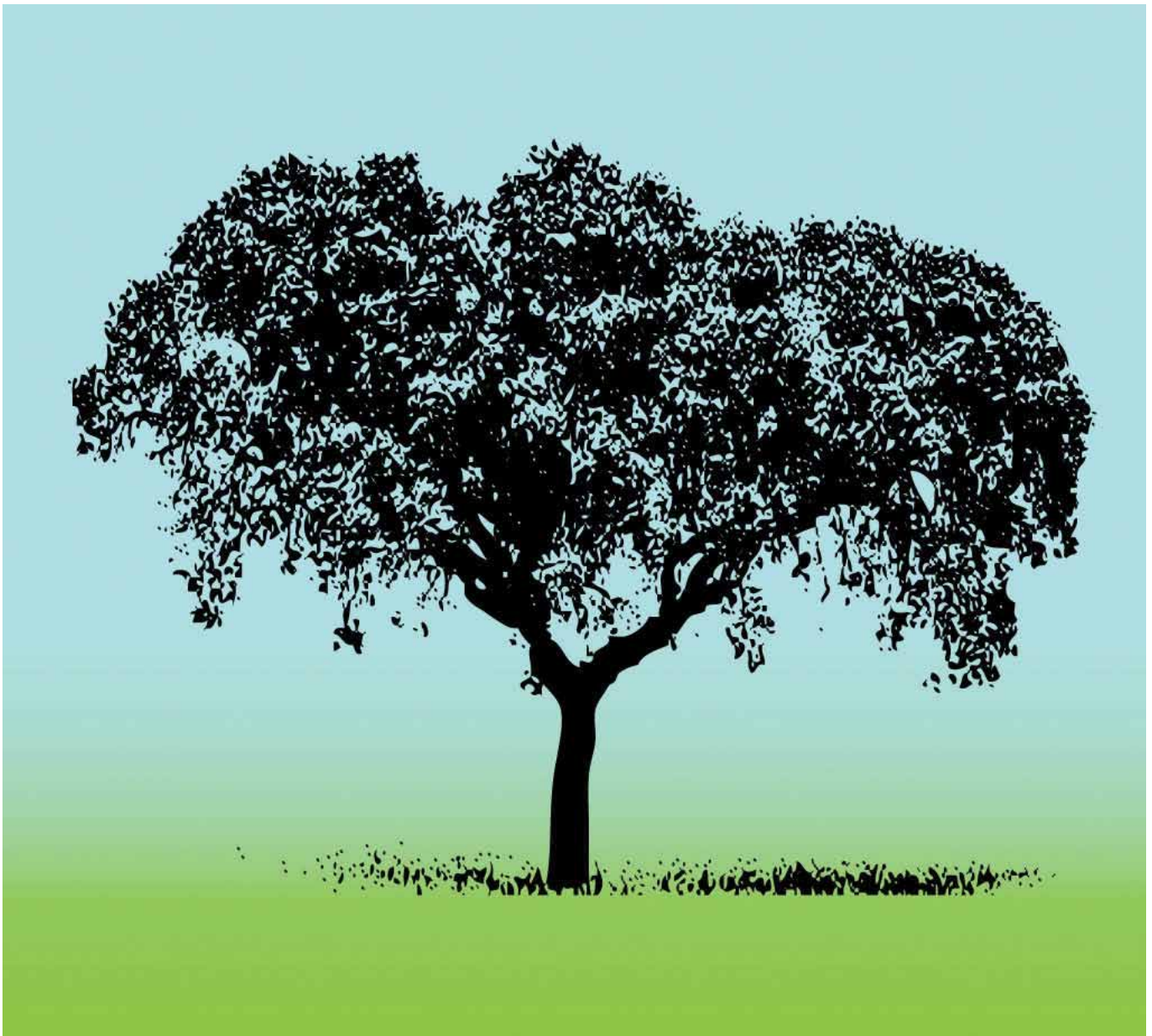
The legendary Mille Miglia car race, held annually from 1927 to 1957 and revived in 1977, takes its competitors over a distance of 1,000 miles through Italian countryside from Brescia to Rome and back. Recognizing the important role extreme precision and sporting elegance plays in watchmaking as well, Chopard has been the official timekeeper of the legendary Mille Miglia since 1988 with a range of watches.

Chopard: Mille Miglia Gran Turismo XL

Available at Chatham Luxury Watches

Focus On - Technical

Agriculture: Bearer Plants



The Institute of Chartered Accountants of Sri Lanka has recently issued Agriculture: Bearer Plants, proposing amendments to LKAS 16 and LKAS 41. Such amendments would be effective for the financial

period beginning on or after 1st January 2016. Accordingly, biological assets that meet the definition of bearer plants would be within the scope of LKAS 16 and will be subject to all of the requirements therein.

Bearer Plants: Frequently Asked Questions (FAQs)

What is the difference between “Bearer Plant” and “Produce of the Bearer Plant”?

A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Plants such as tea bushes, grape vines, oil palms and rubber trees, usually meet the definition of a bearer plant and hence within the scope of LKAS 16.

However, the produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex, remains within the scope of LKAS 41.

Can we consider annual crops as bearer plants?

No, we can't consider annual crops such as maize and wheat as bearer plants.

Furthermore, the following plants also can't be considered bearer plants.

1. Plants cultivated to be harvested as agricultural produce (Example : trees grown for use as lumber)

2. Plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales (Example: trees that are cultivated both for their fruit and their lumber)

Can we consider incidental scrap sales as bearer plant?

No, incidental scrap sales are not considered as bearer plant.

When bearer plants are no longer used to bear produce they might be cut down and sold as scrap, (example: for use as firewood). Such incidental scrap sales would not prevent the plant from satisfying the definition of a bearer plant.

Can we measure Bearer Plants at Cost?

Yes, these can be measured at Cost.

Bearer plants are accounted for by LKAS 16 instead of LKAS 41, thus permitting the use of either a cost model or a revaluation model.

Can we measure produce of the bearer plant at cost?

No, it cannot be measured at cost.

The produce growing on the bearer plants would remain under the fair value model in LKAS 41.

Therefore, the produce growing on bearer plants is measured at its fair value less costs to sell. Changes in its fair value less costs to sell are included in profit or loss in the period in which they arise.

Why can't we measure the Bearer Plants at Cost?

At the end of the productive lives of Bearer Plants they are usually scrapped. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. Furthermore, their operation is similar to that of manufacturing.

What are the cost elements of Bearer Plants?

Bearer Plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by Management.

Further, cost of construction of bearer plants; i.e. covering activities that are necessary to cultivate the bearer plants before they are in the location and condition necessary to be capable of operating in the manner intended by Management.

How we account for the Government Grants related to Bearer Plants?

Government Grants should be accounted in accordance with LKAS 20, thus it is not permitted to capitalize the government grants.

Therefore, the government grants related to the bearer plants should be accounted using either capital approach or income approach.

What is the fair value of newly acquired livestock?

Although, livestock is within the definition of Biological Assets, these are not within the scope of Bearer Plants.

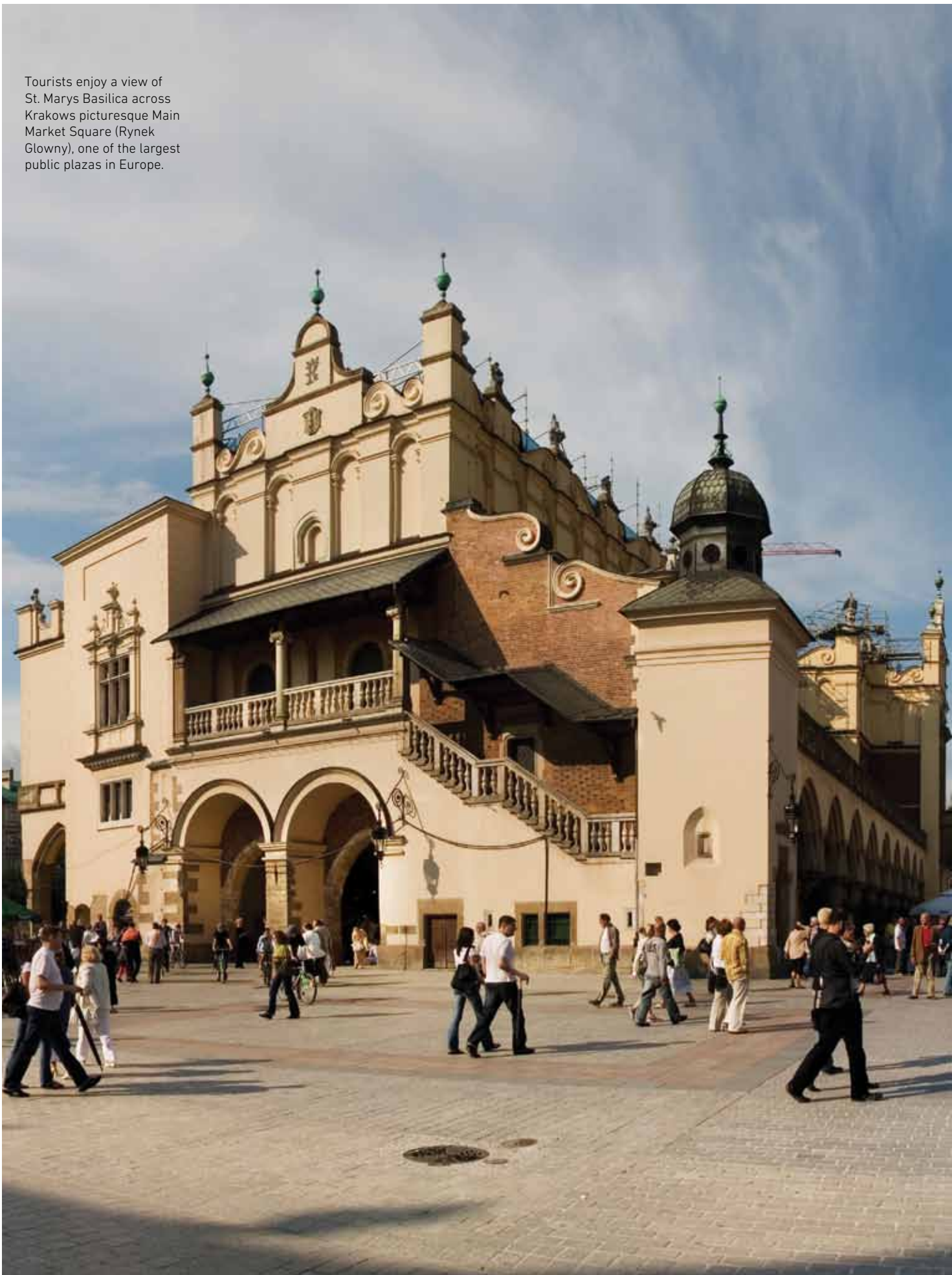
Cost of newly acquired livestock may sometimes approximate fair value of it because little biological transformation has taken place since initial cost incurrence.

Can we measure the bearer plants at fair value in which the entity first time applies “Agriculture: Bearer Plants (Amendments to LKAS 16 and LKAS 41)?

Yes, entity may elect to measure an item of bearer plant at its fair value at the beginning of the first time adoption of the amendments of LKAS 16 and LKAS 41.

That fair value can be used as its deemed cost at that date and any difference between previous carrying amount and fair value shall be recognized in opening retained earnings at the beginning of the earliest period presented. ■

Tourists enjoy a view of St. Marys Basilica across Krakows picturesque Main Market Square (Rynek Glowny), one of the largest public plazas in Europe.



Krakow: *built* *on a* dragon's den

Situated in the south of Poland, Krakow (Pronounced “cruck-off”) was the capital of the country from the 11th to the 17th century and has a wealth of legend and history

Legend has it that the founder of Krakow, Krak, killed a dragon which lived in a cave under Wawel Hill, and built his castle atop it. Luckily, the dragon didn't leave any offspring, so there is nothing to shake the foundations. Unlike Warsaw or other big Central European cities, Krakow was neither bombed nor fought over during the Second World War, and so much of its pre-war architecture remains. There are also many reminders of the Stalinist era. The combination of mediaeval, Victorian and modernist makes it a gem of a city for the historian, the architect and the simple gawker, too.





Wawel is a fortified architectural complex erected over many centuries in Kraków, Poland. The complex consists of many buildings and fortifications; the largest and best known of these are the Royal Castle and the Wawel Cathedral. The tower on the right is called the senator tower.

Wawel Hill

The “Dragon’s Den”, on top of which Wawel Castle is built, is a cave in a Jurassic limestone hill, with its own microclimate. The castle itself was the residence of the Polish kings who reigned from Krakow, and was restored many times, each time adding a new architectural style. It holds a unique collection of archives, art, architecture, ceramics, and clocks, as well as weapons and ceremonial objects, such as the Szczerbiec coronation sword.

Wawel Cathedral (Royal Basilica of Saints Stanislaus and Wenceslaus) was built about 900 years ago. Destroyed twice, the current Gothic reconstruction dates from the 14th century, but the interior is mainly Romanesque and Baroque. It was where Karol Józef Wojtyła, who became Pope in 1978, and who was canonised in 2014, was ordained into the Roman Catholic priesthood. Apart from Polish monarchs, whose main burial place this was, and Saints Stanislaus and Hedwiga, the remains of important Poles interred in St Leonard’s Crypt, below the cathedral, include those of the 18th century patriot Tadeusz Kościuszko (after whom the

Founded by Kazimierz the Great in the 14th century, the town became the Jewish Quarter of Krakow, to which most Jewish people were confined due to anti-Semitism.

tallest mountain in Australia is named) and the fascistic Marshal Józef Piłsudski, who created the Polish Republic in 1918.

Old Town

The Stare Miasto, the Old Town, was one of the first UNESCO Heritage Sites. It was once surrounded by fortifications, but they were demolished by the Austrians in the 19th century. All that remains are the 14th century rectangular Gothic St Florian’s Gate (Brama Floriańska) - flanked by the Haberdashers’ Tower and the Carpenters’ Tower (used for displaying amateur art) - and the seven-turreted Barbican, to which it was connected by a covered way. In place of the ramparts, the Austrians created a 4 km long green belt around the Old Town, in order to make Krakow a garden city. This is the 2.1 hectare (5.2 acre) Planty Park, a pleasant place for walks and relaxation.

The “Royal Way”, southward from St Florian’s Gate, leads to the Rynek Główny, the Market Square - the largest mediaeval town square in Europe. It is surrounded by historic dwellings, palaces and churches. Tadeusz Kościuszko

declared Polish independence there in 1794. It is infested with Pigeons, who are protected as according to legend they are magically-transformed mediaeval knights, awaiting the return of King Henryk IV Probus.

The Sukiennice, the Cloth Hall, sits in the middle and dominates the square. This renaissance building was once the commercial hub of Poland, where merchants met and bartered and traded. Later, it was renovated and used as a place for balls and entertainment. Today it is a museum, holding Poland's biggest collection of 19th century art. Beneath it is the 4,000 square metre, hi-tech Rynek Underground historical museum. Adjacent to the Cloth Hall is the 70 metre Gothic limestone and brick Town Hall Tower, all that remains of the 13th century Town Hall. Its top storey is an observation deck; its cellars, once a jail and torture chamber, are used as a theatre; while the remainder houses photography exhibits of Krakow Museum.

Kazimierz

Founded by Kazimierz the Great in the 14th century, the town became the Jewish Quarter of Krakow, to which most Jewish people were confined due to anti-Semitism. During the Nazi occupation, the Jewish population was shipped off to labour camps, shot or sent to Auschwitz extermination camp. When the Soviet Army liberated Krakow in January 1945, only 2,000 remained of the 80,000-strong pre-war Jewish population. Wolnica Square, the market square,

A must-see is the 14th century Collegium Maius in the Old Town, the oldest remaining university building. Built around a courtyard, its rooms preserve historical interiors.

was once as big and important as Rynek Główny. On it are the Town Hall, now an ethnographic museum, and the Corpus Christi Basilica Church, a Gothic-style building dating from the 14-15th centuries. The 15th century Old Synagogue is the oldest Judaic place of worship in Poland. It was rebuilt at the end of the 16th century as a Fortress Synagogue. The Nazis ransacked it, stealing its art treasures and relics. Today it forms part of the Krakow Museum. Nearby are the Jewish Remuh Cemetery (dating back to 1535) and Synagogue, and the New Cemetery, which replaced it in the 19th century. Steven Spielberg shot much of Schindler's List in Kazimierz, although most of the action took place across the Vistula, where Schindler's Factory, now the site of two Museums, may be seen.

Jagellonian University

Karol Wojtyła read philology at the Jagellonian University, one of the oldest in the world and having ancient and modern campuses spread over Krakow. Other famous alumni were the revolutionary astronomer Nicolaus Copernicus, Marxist historian Isaac Deutscher, anthropologist Bronisław Malinowski, science fiction writer Stanisław Lem, and Nobel laureates Ivo Andrić and Wisława Szymborska. A must-see is the 14th century Collegium Maius in the Old Town, the oldest remaining university building. Built around a courtyard, its rooms preserve historical interiors. The courtyard has a clock which puts on parades of figurines at certain hours.



The Planty Park is attractive during all the seasons of the year in spring it refreshes the Old Krakow, in summer it offers a nice shade, in autumn it attracts with gold and purple of leaves, and in winter, when its covered in snow, it inclines to reflection.

Polish Aviation Museum

Fans of aircraft are sure to find the Polish Aviation Museum a treat. The outdoor exhibits are mainly Cold War Era Polish and NATO aeroplanes, including MiG and Sukhoi jet fighters and parts, as well as Polish designed and built fighter-trainers. Also on display are missile systems and artillery. The indoor exhibits in three modernist buildings include the German First World War biplanes and the famous PZL series of helicopters, plus a large glider collection.

Eating and drinking

Obwarzanki (bagels) are the street food of Krakow, and can be obtained from bagel sellers on the Rynek Główny. Krakow has a good selection of restaurants and pubs, international as well as traditional. Polish cuisine is very solid, as befits a Central European country with cold winters, but is at the same time tasty. Central to that cuisine are the cabbage and the potato (originally a South American tuber, but which the Slavs took to their hearts) and meat. The Poles used to be the world's biggest consumers of meat, but that position has now been captured by the people of Hong Kong. For starters, one can eat Polish sausage (kielbasa), cold luncheon meats (wędliny), Herring (Sledzie), cottage cheese (twaróg) or pickled cucumber (ogórk kiszzone). The most famous of Polish dishes is of course borscht (known in Polish as barszcz); a soup made of beetroot and served with sour cream. It doesn't sound much,



Renaissance Cloth Hall (Sukiennice) in Main market square in Krakow illuminated at dusk. The Cloth hall is a UNESCO world heritage site

but is actually a quite delicious introduction to the main course. The most popular dishes are pierogi, a family of ravioli-like dumplings made traditionally from thinly-rolled, potato-mixed dough, with combinations of potato, onion, cottage cheese, cabbage, mushrooms, spinach eggs and meat filling; and sometimes fruit fillings. A delicious combination is uszka (meaning "little ears"), a smaller version of pierogi, served in borscht, generally eaten on Christmas Eve. Other main course dishes are hunter's stew (bigos), stewed cabbage with various additions; golabki, meat and barley baked in a soft cabbage leaf and served with potato; and kotlet schabowy, pork chops fried with bread crumbs. Desserts are kisiel, made of fruit and fruit juice, thickened with potato starch; paczki, polish doughnuts without a hole, but with various fillings; cheesecake (sernik); or Polish blancmange (budyn). The traditional alcoholic beverages of Poland are of course vodka (wódka), beer (pivo) and mead (miód-pitny). Non-alcoholic beverages are of course tea (herbata) - Poland is an important market for Ceylon Tea (herbata cejlonska); and the traditional accompaniment for a family meal, compote (kompot), made with fruits (apples, apricots, cherries, rhubarb or various berries) boiled in water, with spices added.

Getting there and about

Krakow is accessible from most European cities by air, rail or road. John Paul II International Airport Kraków-Balice is serviced by many European airlines. It has a small but neat terminal building and is not too busy. The "BaliceEkspres" train connects the airport with Kraków Główny Railway Station, which also connects to many European cities. The Railway station itself was built in 1847, expanded in the neo-classical style in 1871 and, more recently, modernised to connect to regional bus services and to the city tram lines. The tram and one's legs are the best way to get about and to really see the city. ■



Bas-relief on the gate tower, facing Ulica Floriańska (St. Florian's Street)

Make a **Difference** with the USQ MBA

UNIVERSITY
OF SOUTHERN
QUEENSLAND
AUSTRALIA

USQ APPROVED
COURSE PROVIDER



USQ MBA Alumni – Movers and shakers of today's
Sri Lankan Business and Finance industry



BUSINESS
SCHOOL

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

For admissions email:
mba@casrilanka.org or call on 01 12352000 ext. 1203

INVEST

IN YOURSELF

Join 40,000
finance
professionals
enjoying
the returns of
membership

CISI
CHARTERED INSTITUTE FOR
SECURITIES & INVESTMENT

cisi.org/invest

285, R. A. De Mel Mawatha, Colombo 3 | 7 247 247 | srilanka@cisi.org