



a brief outline of

The Institute of Chartered Accountants of Sri Lanka

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA is the national professional accounting body of Sri Lanka established by an Act of Parliament, No. 23 of 1959. The council of the institute is responsible for the administration and management of the institute. The council also conducts qualifying examinations, supervises and regulates student education and training, secures the maintenance of professional standards among members and the advancement of the profession.

The council comprises 16 members: the President, Vice-President, six members elected by members, and eight members nominated by the Hon Minister of Commerce and Consumer Affairs.

The institute has over 3,300 members, of whom 760 are overseas, and over 24,000 registered students. Members of the institute describe themselves as 'chartered accountants,' and use the designatory

letters 'ACA' or 'FCA' depending on whether they are Associates or Fellows of the institute.

The members of the institute are regulated by a code of professional conduct and ethics prescribed by the council. The present examination structure consists of foundation, intermediate, final I and final II examinations. The institute is a member of the International Federation of Accountants (IFAC) and the International Accounting Standards Committee (IASC). It is also a member of the Confederation of Asian and Pacific Accountants (CAPA), and a founder member of the South Asian Federation of Accountants (SAFA).

The institute is the accounting and auditing standards setting authority in Sri Lanka, and the application of such standards is mandatory for business enterprises specified in the schedule in the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.



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President speaks

Chartered Accountants must rise to the occasion!

We are currently experiencing a financial turmoil unprecedented in known times. What began as a subprime mortgage crisis in USA and a credit crunch ultimately turned the event into a global financial crisis with disastrous effects. Bank failures, Government bail outs, large scale layoffs resulting in massive job losses and a break down in financial markets. To an observer it was reminiscent of a movie reflecting the end of the world. While Sri Lanka's Banking system was somewhat insulated due to their limited exposure to global networks we now seem to be experiencing the effects in our home soil. Adverse effects on exports and out flow of funds is exerting much pressure on reserves indicating a not so happy situation. Downturn on tea & rubber prices has a serious repercussion on the rural economy and is a potential threat to the financial stability.

As financial professionals, it is an enormous challenge to the Accounting profession. CFO's and CEO's will be called upon to exercise extraordinary skills to steer their businesses. With liquidity becoming a critical issue, financial tool kits will have to be used to the fullest. The situation also reminds us of the need for adequate controls, regulatory compliance and financial discipline. We at the ICASL are mindful of this need and are doing our best. We need not over emphasize on good governance practices to build up

stakeholder confidence. I would like to call upon our membership to rise to the occasion as stakeholder expectations are heavy.

The last quarter of the year has been a very active period for the ICASL with a well attended National Conference, Annual Report Competition and the release of the Corporate Governance Code taking precedence. The coming year is going to be another exciting period as the ICASL will be celebrating its Golden jubilee which I believe is a great occasion for our profession.

Let me extend my best wishes for a joyful Christmas and a happy New Year!

Nishan Fernando
President



Editorial

Much has been said and written about the Global Financial crisis, its aftermath and the adverse effects to our economy. Countries in the South Asian region have been subject to turbulent times more often by natural disasters, political aggression, terrorism and unfavourable trade terms etc. Given these difficult situations regulators in the region have taken much effort to insulate and protect the economies from external shocks. These measures have made our economies more resilient and this was clearly demonstrated during the recent turmoil.

However due to the global connectivity our foreign trade and capital flows could not escape totally and agricultural exports in particular suffered a heavy blow with a sharp drop in Tea and Rubber prices that of course left a trail of financial issues in the supply chain affecting liquidity. External Trade performance for the period that ended in October just released by the Central Bank offers some consolation with Exports registering a 6 per cent growth and narrowing of the Trade balance. Anticipated decline in imports too is visible while worker remittances are expected to exceed USD 3 billion by the year end. Another silver lining is the extension of the GSP + concession by the EU that augurs well for the Garment and other exports to the EU region.

As rightfully stated by President ICASL Nishan Fernando, the current crisis is an opportunity and challenge to the finance professionals and he makes a timely appeal to the Chartered Accountants to rise to the occasion.

Given the importance and its effect of the financial crisis on the global as much as

our own economy, we have dedicated much space of this issue to the “Global Financial Crisis”. In this regard we are pleased to present two useful articles from the Chief Economist of the World Bank Justin Yifu Lin who concentrates on the impact on developing economies and our Editor Sunil Karunanayake highlighting the impact on the Sri Lankan Economy. Ernest & Young partner Sanath Fernando makes a timely contribution on “Fair Value Accounting” which was featured prominently in the debates on the causes of the Global Financial Crisis.

Our specialist writer on Economic affairs Sajith de Mel concentrates on “Inflation” that caused much concern to the Sri Lankan economy during the past 18 months. In our regular “Meet the Pioneers” column, we feature past president of the ICASL G C B Wijesinghe who is very much linked to the ICASL even at the present moment.

In the midst of high emphasis for CPD at ICASL we are fortunate to share the “Continuing Professional Development” (CPD) activities of the medical profession with an interesting article from Consultant Physician Dr Sunil Seneviratne Epa, past President of the Sri Lanka Medical Association (SLMA) and chairman of the Central CPD committee.

Best wishes for Peace, Happiness and Prosperity from Christmas to New Year!

Sujeewa Rajapakse
Chairman
Journal Committee