

# A brief outline of

## The Institute of Chartered Accountants of Sri Lanka

**T**HE 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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# Contents

4	President Speaks
5	Editorial
6	The Consumer Affairs Authority and the Public Interest <i>By Purajitha Taldena</i>
8	A Robust Regulator A Fundamental Ingredient in a Sustainable Market Economy <i>By Ranel T. Wijesinha</i>
13	After Decades of Accounting Standards Why Do We Have Reporting Issues? <i>R. Vijayasekaran</i>
22	The United Nations Intergovernmental Standards of Accounting and Reporting <i>By Caroline Aggestam</i>
24	Guide to Energy Derivatives and Energy Hedging <i>By Upul Arunajith</i>
29	Members' Benevolent Society Its Birth, Rebirth, Growth and Future
30	Humour - Top 10 Signs You Work in an Audit Firm - Tax
32	Award of Honorary MBE Sri Lankan Chartered Accountant honoured by H M the Queen
33	ICASL and Microsoft Collaboration to Enhance IT Education within the Accountancy Profession
34	News and Events



## President Speaks

Our membership has a vital role to play in this period of economic downturn, absolute conformity to rules and regulations. Timely financial reporting, proactive liquidity management and above all ethical behavior are seen as critical requirements of the time.

The year 2009 is of great significance to our Institute as we will be celebrating 50 years that will be marked by a series of celebrations. Many changes have taken place since ICASL made its humble beginnings from the Auditor General's department before setting themselves up at the present location at Malalasekera Mawatha, then known as Longden place. The journey since then has been unstoppable and today ICASL has emerged as the premier national Accounting body with a membership of over 3,500 and student population nearing 30,000 thus demonstrating its strength, adaptability and global acceptance. It is a strange coincidence that in 1959 when the Institute was established Ceylon was going through a series of social and political changes that was also characterised by nationalisations and frequent work stoppages thus creating severe economic hardships. Today in our 50th year we witness yet another economic

downturn initiated by the global financial crisis and a threat to financial stability due to home grown issues that has adversely affected the liquidity and purchasing power, threatening the fundamentals of the economy.

ICASL has undoubtedly played a significant role in developing the Financial Discipline and regulatory activities through its study programme and professional development to protect the public interests. Our membership has a vital role to play in this period of economic downturn, absolute conformity to rules and regulations. Timely financial reporting, proactive liquidity management and above all ethical behavior are seen as critical requirements of the time. Along with the proposed IMF standby financial facility and the easing of interest rates and inflation, the economy should bounce back, hereto Chartered Accountants as leaders in the vanguard as CEO's and CFO's must demonstrate extraordinary ability by giving leadership and right

direction. The public has a rightful expectation that finance professionals are more than equipped to meet the needs of the business sector.

In late March we launched the new syllabus that would be effective from 2010. Syllabus revision is an integral instrument in maintaining the quality of our study programme hence much effort and time was spent in the task with the involvement our Members, Academics and Teaching Institutions. The new structure also brings together zero credit programmes like IT Training, Speech Craft and English Language skills within the mainstream syllabus. During the period under review we opened a knowledge centre in Ratnapura in keeping with our policy of enhancing the student facilities and arrangements are also underway to open such centres in the North and the East providing for social harmony and national integration.

Wishing you a very happy and prosperous Sinhala & Tamil New Year!

**Nishan Fernando**  
President



## Editorial

The global financial crisis continues to devastate economies around the world with no distinction thus affecting purchasing power and liquidity, and making heavy inroads into economic progress. Sadly, the worst affected are the poor developing countries with inherent weak Balance of Payment structures and poor fiscal discipline. Sri Lanka began to feel the adverse effects through decline in remittances, investments and weakening of the export markets. The apparel sector, heavily dependent on USA and Europe is under tremendous pressure with layoffs and closures. Agricultural exports too suffered with tea and rubber export earnings declining drastically. However it is pleasing to note the recovery of the Colombo Tea Auction that has virtually regained its previous price levels. But another negative effect was the drought that reduced the crops drastically. In the meantime an unexpected instability in the unregulated finance sector has caused havoc with public confidence in the regulated sector declining. This sad event compounded the problem and the economy has lost its purchasing power. As President Nishan Fernando elaborates, in these exceptional times

the exceptional abilities of the finance professionals could steer the economy out of troubled waters and the country awaits the Chartered Accountants to display their expertise.

Given this unstable and not so happy background we have themed the current issue “Regulator and the Public Interest” emphasising the immense role of the regulator and the equally heavy public expectations. Today a large number of depositors are in crisis due to the collapse of the finance companies both from the regulated and unregulated sectors. Past ICASL President Ranel Wijesinha, who was also the President of the CAPA, using his experience as a presenter and researcher presents a thought provoking article on “A Robust Regulator- A fundamental ingredient in a sustainable Market Economy” and assures that the Market Economy has not failed.

R Vijayasekeran, Senior Chartered Accountant and Founder Chairman of the ICASL Accounting Standards Committee and former Partner Ernst & Young, now domiciled in Australia using his vast knowledge in the field, poses the question “After decades of accounting

standards why do we have reporting issues?” A thought provoking issue for the current times. Pricing of consumer items of Sri Lanka have been a complex factor and the common belief is that even with declining global prices the consumer does not benefit. Chartered Accountant Purajitha Taldena presents a descriptive analysis of the activities/regulatory powers of the Consumer Affairs Authority and sums up his views on a doubtful note, whether public expectations could be met with the present system.

We are also fortunate to present a useful input from Caroline Aggestam of Copenhagen Business School, Denmark sharing her experience in the United Nations Intergovernmental Standards of Accounting and Reporting.

Derivatives was a much talked-of instrument in the recent crisis and we present an educational article from Canadian based Sri Lankan Derivative specialist Upul Arunajith that should be of much value to finance professionals.

We wish our readers peace, happiness and prosperity in the New Year season that’s of special significance to Sinhalese and Hindus.

**Sujeewa Rajapakse**  
Chairman  
Journal Committee