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SRI LANKA

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Association of  
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**Lalith Fernando**  
President - AAT Sri Lanka

## President's Thoughts

# ADAPTABILITY TO CHANGE

Interviewed by Insight, Mr. Lalith T. Fernando, President, Association of Accounting Technicians of Sri Lanka expressed himself on the growth and success of AAT as a professional body, and the revolutionary changes that had taken place over the years to reach its current position, also focusing on what the future holds for the Association. The Association of Accounting Technicians of Sri Lanka established in December 1987 on the model of AAT (UK) has come a long journey for 28 years, and it is the one and only body in Sri Lanka which produces the much needed accounting technicians. The SME sector needs the services of middle level accounting professionals who could undertake record keeping, financial accounting and analysis, management information systems, decision making and handling compliance requirements.

Having enjoyed Associate Membership status for 25 years, recently it has been bestowed with full membership of the Confederation of Asian and Pacific Accountants (CAPA) – the giant body of Professional Accountants of the Asia Pacific Region. It has naturally got some inputs such as global accounting and auditing landscape, international education standards followed by international accounting organizations, Statement of Member Obligation (SMO) prescribed by International Federation of Accountants (IFAC), the global apex body of Professional Accountants (in which AAT Sri Lanka is an Associate Member) capacity building to achieve its best practices with different flavours, and to come up with advanced and relevant curriculum for the 2020 accounting technician for the future in the Sri Lankan context, with tax laws, accounting standards, business dimensions and technical advancement.

## What new aspects of AAT at present are adaptations of ongoing dynamic changes?

### New Curriculum 2015-2020

AAT has introduced a new curriculum in 2015 to continue till 2020 with a remarkable change in its structure with pillars, namely Technical Pillar and Skills Pillar focusing on communication and IT and Leadership Pillar to provide more exposure to the work organization, keeping with contemporary updates of other professional accountability institutes. The theme of the new curriculum was "Employment Fast Tracked" which is the need of new entrants to professional education.

### AAT Business School

AAT Business School, a strategic business unit has been stepped up with a view to filling the gap of competencies required in Communication Skills, Leadership Skills and Management Insights towards enhancing employability and recognition of passed finalists of the Association.

### IT Development and Technological Advancement

AAT has focused to go ahead with IT Development and Technological Advancement by taking the leadership to conduct council meetings paper-less, using i-pad solutions. It has also gone through an extensive process study to implement a new ERP system which is in-house built for effective and efficient performance to members and students. This initiative will lay foundation for AAT to realize competitive advantage and service excellence in future.

### Student and Member Reach

One of the key strategic stakeholders of AAT is the student and member community. The reach for students has been made effective through Accredited Education Centers (AECs) which are established with a view to building up relationships and creating awareness among students. AAT has expanded the network through Information Centers run by district Chambers of Commerce and its branches. It has also expanded its footprint in the provinces to serve rural community at large.

### New additions to AAT Service Centre network in the recent past in addition to the long standing branches in Kurunegala, Jaffna, Matara and Hambantota

Kandy, Trincomalee, Ampara, Batticolo, Rathnapura, Gampaha, Anuradhapura and Budulla

### AAT Scholarship Programs

One of the key initiatives launched in 2015 was to introduce a Scholarship Program for students who excel in their GCE (O/L) examinations. It has the blessings of the Ministry of Education and AAT provides full sponsorship to two students of each district based on income levels to complete the AAT examination in full.

AAT Scholarship Program also provides financial assistance to two commerce stream students in each district to complete their Advance Level Education.

### Any achievements accomplished over the past few years?

There are several key milestones we achieved in the past few years. To mention a few; AAT Sri Lanka has won the National Business Excellence Gold award for the past three consecutive years which demonstrates the year on year success story of AAT.

AAT Sri Lanka has also won the Gold Award in the "Best Annual Report Competition 2015 organized by the Institute of Chartered Accountants of Sri Lanka again second time in a row.

AAT Sri Lanka has been awarded full membership of CAPA in 2015 which enjoyed only "Associate Membership Status" for 25 years.

AAT toastmasters displayed their talents once again and won the Golden Gavel Plus award for the second consecutive year in 2015

AAT Sri Lanka has won the minds of its members and recorded the highest number of professional members in 2015.

### What organizational aspects have been worked out for capacity development of the institution and the staff?

We have set a key performance culture among staff by introducing KPI score cards. Career progression to existing staff has been ensured with clear framework in recruitment and retention policy. The organization has implemented a new organization structure and job descriptions for the staff. We have also developed a program budgeting system to monitor the organizational performance and resource allocation. In addition to all of these, a conducive working environment has been created to staff with a fully refurbished Head-Office.

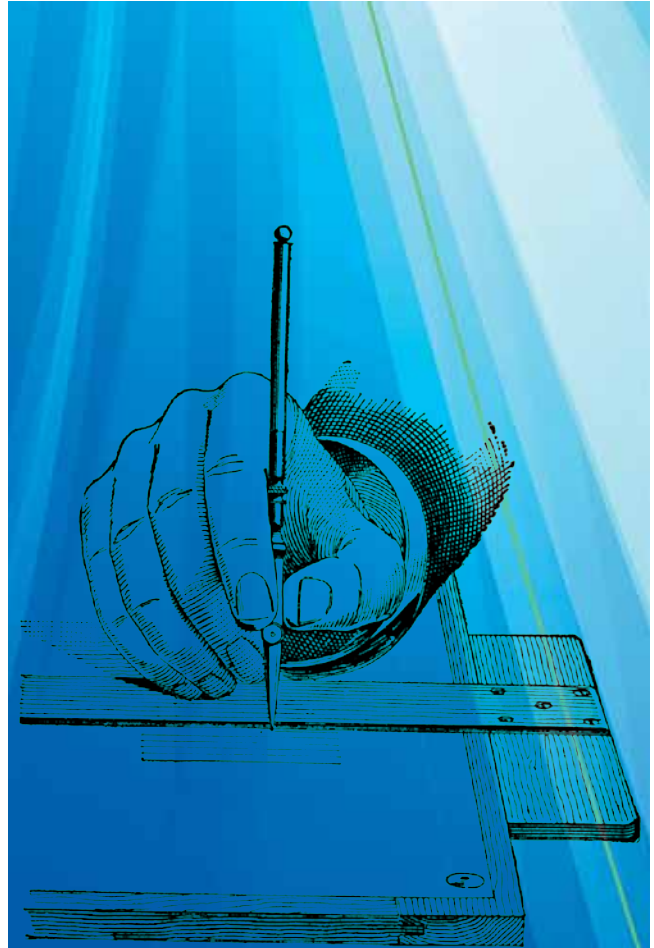
**To remain indifferent to challenges we face is indefensible. As the President of AAT Sri Lanka in your opinion, what challenges should be overcome to safeguard the future?**

Whenever a new curriculum is introduced, naturally, students tend to watch until the transitional arrangements are finalized to their satisfaction, which is evident from the drop in registrations soon after a new curriculum was introduced. Student intake and retention until the completion of the course is challenging, with similar courses offered by international education service providers, and new developments taking place in technology fronts. Unless we adapt ourselves to changes taking place around us as outlined earlier, we will be left behind.

Ability to meet all the expectations of stakeholders while ensuring delivery of quality service at its lowest cost is something we must continue to foster.

It is a real challenge to gain recognition for the qualification by incorporating AAT under an Act of Parliament which has been dragging on over the past several years. But, continue to lobby with the line-ministry to make it a reality.

Continuous professional development is key for our members to keep abreast of the knowledge and developments taking place in the global arena. We need to ensure AAT members are equipped with latest techniques and be aware of the latest developments taking place in the accountancy profession.



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Interviewed by  
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MAAT, BBM, CIMA Cert.  
Teacher - LYCEUM INTERNATIONAL SCHOOL



A wise man will explore more opportunities than he finds, Brig. M.S.C Perera of the Sri Lanka Army (Distinguished Fellow Member of the Association of Accounting Technicians of Sri Lanka) honoured USP (Uttama Seva Padakkama) for his valuable service and dedication to duty and his outstanding ability, merit and excellent conduct unleashes the story of his success:



## Could you please explain the background to your organization hierarchy and the span of control?

As the Director Internal Audit, I am answerable to the Commander of the Army through the Director General Financial Management. Directorate of Internal Audit is headed by me that consists of 17 officers in different ranks such as Majors, Captains, Lieutenants and 250 other Ranks. This is the biggest internal audit branch in any Department in the Government Sector. Our main responsibility is to audit the voted funds allocated to the Army by Parliament through the Annual Budget.

## Success of any major scale requires you to accept responsibilities. What are your major responsibilities?

The responsibility of the Director is to carry out a continuous survey and an independent appraisal over the financial performance in Asset Management of the Army

with an effective system of internal control to prevent and detect errors and frauds and introduce corrective measures to enhance efficiency & effectiveness and economy in the use of resources in the SL Army, maintaining proper financial reporting system to facilitate auditing.

## To whom are you accountable?

I am accountable to the Commander of the Army through the Director General, Financial Management.

## Happiness is not the absence of problems. It is the ability to deal with them, can you highlight any challenges you have faced in your career?

I joined the Army as a directly enlisted officer to the rank of Lieutenant. At that time, I had only the AAT and the licentiate certificates as professional qualifications. Then I was promoted captain, Major, Lt. Colonel, Colonel (in 2010), Brigadier (in 2014) and then appointed as Director of Internal Audit. Before that, I held the designation of colonel Budget in the Directorate of Budget & Financial Management. The Directorate of Budget & Financial Management can be considered as my second home, because I had worked more than 15 years there in my career. I had the opportunity to work-out the Army Budget during the last phase of the humanitarian operation where I faced a lot of challenges to find the money for the war against terrorism. I assisted my senior officers to justify the requirements in order to obtain funds from the General Treasury with valid explanations, which is not an easy task to convince Treasury officials in the budgetary process.

## Facing challenges in life is inevitable and being defeated is optional. So, have you achieved your objectives in your career?

When I joined the Army I had a dream that one day I will become a very senior officer in the Army but I never thought that I would reach the rank of





Brigadier and Director. So, I think, in that context I have achieved my objectives.

### **Did your courage stand by you? What obstacles have hindered your journey?**

In the Army we don't worry about the obstacles. It is said that sky is the limit! Therefore, nothing hindered the progress in my career. I had sufficient courage for my operations.

### **What qualifications helped you to climb up the ladder to reach your present position?**

As stated before, I had only the AAT & Chartered Intermediate qualifications when I joined the Army. Skill, knowledge & competency that I gained through the AAT qualification helped me a lot at the beginning of my career. I never stopped at that level and I did the MBA at the Rajarata University. After completing that, I straightaway sat for the Masters Gateway exam of the Chartered Institute of Management Accountants UK. I have yet to submit the Strategic Level case study to obtain membership of CIMA UK. More recently, I have completed the Masters in Financial Economics at the University of Colombo and I am waiting for final semester results to complete that programme. I always believe that obtaining continuous professional & academic qualifications is the key to success in order to go up the ladder. So, I keep on obtaining qualifications and knowledge. Finally, I become member of The Chartered Institute of Public Finance Accountancy - UK (CIPFA). This is the highest qualification one can achieve in public finance.

In addition to obtaining such qualifications, in the Army, we will have to maintain hundred per cent discipline, loyalty, integrity & honesty. Also we have to maintain physical fitness and get through Annual Physical tests and Lieutenants to Captain and Captain to Major exams conducted by the Army to go up the ladder.

I emphasize that without Sheer determination, dedication & Commitment there is no success in the Army.

### **How has AAT Sri Lanka supported you in your career?**

AAT Sri Lanka always supported me in my career, guiding me on the correct path. Following as well as conducting Continuous training Programmes also helped me a lot.

### **What benefits have you got being a member of AAT Sri Lanka?**

The AAT brand name gave me significant recognition in the Army.

### **What made you follow the AAT Course and is there somebody who persuaded you to do that?**

I did my A/L in Ananda College, Colombo. I followed the Commerce Stream and my friends in the class persuaded



me to do the AAT. So we started an AAT class after our A/Ls.

### **What professional recognition have you got as a member of AAT Sri Lanka?**

I am very proud to be a Fellow Member of the AAT Sri Lanka. I know most of the AAT members work in foreign countries as Accountants. They are very capable of performing tasks fulfilling the expectations of top level management. I am telling this with my experience in my Directorate. There are more than 50 AAT members & over 80 partly completed AAT students employed there. I know of their technical knowledge & skill when performing their duties. Therefore, I have no hesitation to recommend them anywhere in the world to function as Accountants.

### **In your opinion, what is the most suitable age to start AAT?**

If you are planning to pursue a career in the Commerce stream at A/L's, then after O/Ls exam immediately start doing AAT. So, you can become an AAT member while you complete your A/Ls and claim exemptions from CIMA - UK and CA Sri Lanka exams. It will be cutting an edge to become fully qualified Accountants, because it saves you a lot of time.

### **What advice will you give to AAT passed finalists and the members to develop their path and life long objectives?**

Without delay start your career in CA Sri Lanka or CIMA - UK and become Chartered Accountants using fast tracks because there are lot of opportunities in Australia, New Zealand & Canada for qualified Accountants. Even you can apply for PR in those countries and settle down in those countries and send dollars to Sri Lanka to improve our economy by way of remittances, whilst advancing your career.

### **What encouragement will you offer to budding accountants?**

Do not give up. Try again in obtaining professional qualifications at any stage of your life. Strictly adhere to

the moral values and ethical practices in your field.

### **Have you got any role model you admire?**

Nelson Mandela.

### **Finally are you happy for what you are now, and any future expectations?**

Of course yes. I am very much satisfied with what I am now. If the army permits I would like to become a Major General in the Army. If that happens I would perhaps be the only Chartered Accountant to rise to the rank of Major General in the History of the Army!



# Sustainability Reporting: A Way Forward

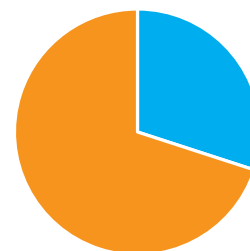


Aruni Rajakarier  
ACA  
Founder & Director,  
SheConsults (Pvt) Ltd.

Sri Lankan corporates have been reporting on sustainability using the Guidelines published by the Global Reporting Initiative for over a decade and it is an opportune time to review the progress made. Today, 86 public listed companies (30%) prepare their annual reports using either the G3.1 or G4 Guidelines which show commendable progress. However, that means there are 203 public listed companies who are yet to embrace sustainability reporting. Interestingly, we also observe a few non-listed companies embracing the reporting standards and preparing reports in accordance with the GRI Guidelines which is encouraging and affirmation of the fact that Sustainability Reporting delivers value. Even counting these, we are still looking at around 100 sustainability reports in the country in comparison to a potential target of 1313<sup>1</sup> specified business entities which are required to report using Sri Lanka Financial Reporting Standards.

Full compliance with the voluntary Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka in 2013 requires disclosures on Sustainability. The following standards are accepted for reporting purposes as described in Principle G1.7 of the Code:

Annual Reports



■ GRI Reports    ■ Non GRI Reports

<sup>1</sup>SBE's as at 31<sup>st</sup> December 2012 as per SLAASMB 2012 Annual Report

- National Green Reporting System of Sri Lanka
- The Global Reporting Initiative Guidelines
- AA 1000 Framework and Stakeholder Engagement Standard
- United Nations Global Compact
- ISO 9000 Quality Management Assurance Standard
- ISO 14000 Environmental Standard
- ISO 26000 on Social Responsibility
- OHSAS 18000 Occupational Health and Safety Standard

G1. Principles of Sustainability Reporting  
(Extract from Code of Best Practice on Corporate Governance)

G.1.1	Principle 1 – Economic sustainability
G.1.2	Principle 2 – The Environment
G.1.3	Principle 3 – Labour Practice
G.1.4	Principle 4 – Society
G.1.5	Principle 5 – Product Responsibility
G.1.6	Principle 6 - Stakeholder identification, engagement & effective communication
G.1.7	Principle 7 - Sustainable reporting and disclosure should be formalized as part of the Company’s reporting processes and take place on a regular basis.

It is worth noting that an increasing number of organisations are now embracing the Integrated Reporting Framework and adapting sustainability reporting to this framework. However, the GRI Guidelines remain as the primary framework for reporting on sustainability and references are made to these guidelines throughout.

## Quality of Sustainability Reports in Sri Lanka

### Principle 1: Economic Performance

Reporting on economic performance is well covered by most reporters with reliable disclosures. Reporters should be encouraged to consider reporting on other economic aspects (market presence, indirect economic impacts and procurement practices) to enhance the completeness of sustainability reports in sectors such as manufacturing or plantations where some of these aspects should be included in the material issues.

### Economic

- Economic Performance
- Market Presence
- Indirect Economic Impacts
- Procurement Practices

### Principle 2: The Environment

Encouragingly, a number of reporters are making noticeable efforts to improve reporting in this category although there is significant room for improvement in many of the environment aspects of sustainability reporting. Reporters can enhance the credibility of reports through inclusion of relevant material issues from the environmental aspects and including more quantitative data. We also need to make more reporters aware of the need to report on certain aspects which may not have a material impact on the financial statements but are critical to the value creation processes of the entity or are of significant concern to stakeholders. Examples of these indicators are emissions, effluents and waste and water.

Notably, supplier environmental assessments is a key area which can have a significant impact on existing levels of awareness of sustainability amongst even SME players and one where reporting is minimal. As many exporters are already complying with this and buyers become more focused on traceability of their products, we are likely to see an increased focus in this area.

### Environment

- Materials
- Energy
- Water
- Biodiversity
- Emissions
- Effluents and Waste
- Products and Services
- Compliance
- Transport
- Overall
- Supplier Environmental Assessment
- Environmental Grievance Mechanisms

### Principle 3: Labour Practice

As the Code refers to “Labour practices governance of an organisation encompass all policies and practices relating to work performed by or on behalf of the organization”, both labour practices and human rights categories have been included under this principle.

Overall reporting in this category appears to have more quantitative information although there is room for improving quantitative data on health and safety aspects and grievance mechanisms. Here too, supplier assessments of labour and human rights practices is likely to become more critical in the near future as buyers become more concerned on this aspect and early reporters will be well prepared to face this challenge. Sri Lanka's record of equal remuneration for women and men and child labour are key strengths evident in the sustainability reports.

Labour Practices & Decent Work	Human Rights
<ul style="list-style-type: none"> <li>● Employment</li> <li>● Labour/Management Relations</li> <li>● Occupational Health and Safety</li> <li>● Training and Education</li> <li>● Diversity and Equal Opportunity</li> <li>● Equal Remuneration for Women and Men</li> <li>● Supplier Assessment for Labour Practices</li> <li>● Labour Practices Grievance Mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>● Investment</li> <li>● Non-discrimination</li> <li>● Freedom of Association and Collective Bargaining</li> <li>● Child Labor</li> <li>● Forced or Compulsory Labor</li> <li>● Security Practices</li> <li>● Indigenous Rights</li> <li>● Assessment</li> <li>● Supplier Human Rights Assessment</li> <li>● Human Rights Grievance Mechanisms</li> </ul>

## Principle 4: Society

Reporting on local communities and compliance aspects are well covered highlighting the country's sense of Corporate Responsibility (CR). Education and health are key areas supported by corporates supporting a long term vision for socio economic progress in the country. Reporting on anti-corruption, supplier assessments for impacts on Society and grievance mechanisms are areas requiring significant improvement both in terms of disclosures on management approach and also quantitative data.

Society
<ul style="list-style-type: none"> <li>● Local Communities</li> <li>● Anti-corruption</li> <li>● Public Policy</li> <li>● Anti-competitive Behaviour</li> <li>● Compliance</li> <li>● Supplier Assessment for Impacts on Society</li> <li>● Grievance Mechanisms for Impacts on Society</li> </ul>

## Principle 5 – Product Responsibility

Surprisingly product responsibility aspects and product service and labelling aspects reporting are not widely prevalent or are not referenced in the GRI Index of most reports. These are material aspects that significantly impact the company's ability to create value and should be included as material issues in most entities. Entities focussed on these issues are far more likely to be successful in managing issues related to their products and driving product innovation.

Product Responsibility
<ul style="list-style-type: none"> <li>● Customer Health and Safety</li> <li>● Product and Service Labelling</li> <li>● Marketing Communications</li> <li>● Customer Privacy</li> <li>● Compliance</li> </ul>

## Principle 6: Stakeholder identification, engagement & effective communication

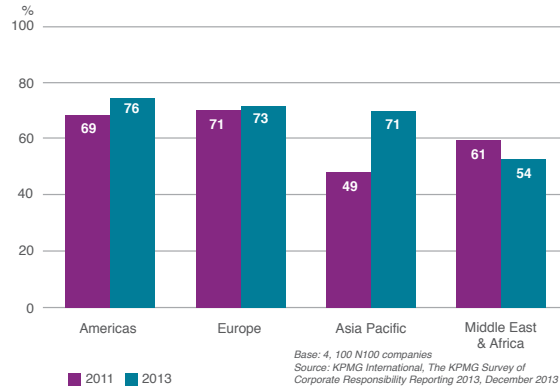
Most entities that report on sustainability identify their stakeholders, describe how they engage with them and list their concerns. There is significant room for improvement in how the stakeholder concerns are considered in determining material aspects and addressing them. Quantitative information regarding stakeholder engagement can also enhance the quality of reports providing clear evidence of the effectiveness of these processes.

## Global review of Sustainability Reporting

The KPMG Global Survey of Corporate Responsibility Reporting 2013 provides a clear picture of emerging trends in 41 countries included in its survey which covered the top 100 companies in each country. It also covered the top 250 companies ranked in the Fortune Global 500 of 2012. It is noteworthy that more than 33<sup>2</sup> stock exchanges or governments require or encourage corporate responsibility reporting in some form, spurring higher levels of reporting. Notably, the countries which ranked in the top 6 places, sustainability reporting were given an impetus through legislation.

<sup>2</sup>Trends in Sustainability Reporting – Ernst & Young November 2014

**CR reporting by region**  
Percentage of companies with CR reports



**1**  
**France**

- Large companies are required to report annually on CR activities

**2**  
**Denmark**

- Financial Statements Act requires large companies to report on CR activities, or to explain in their annual reports why it is not reported.

**3**  
**South Africa**

- The Johannesburg Stock Exchange requires all listed companies to prepare an Integrated Report including Corporate Responsibility performance.

**4**  
**Malaysia**

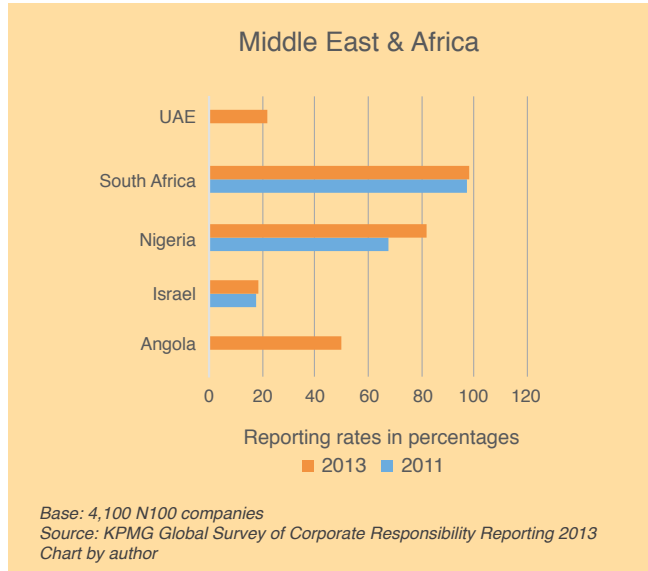
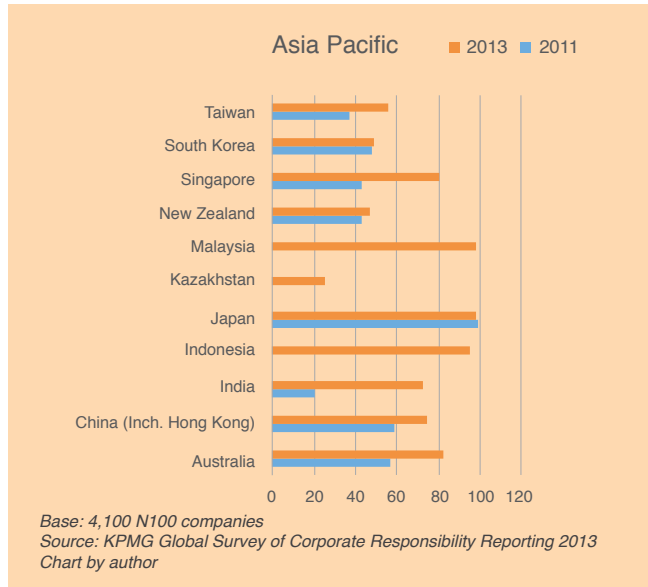
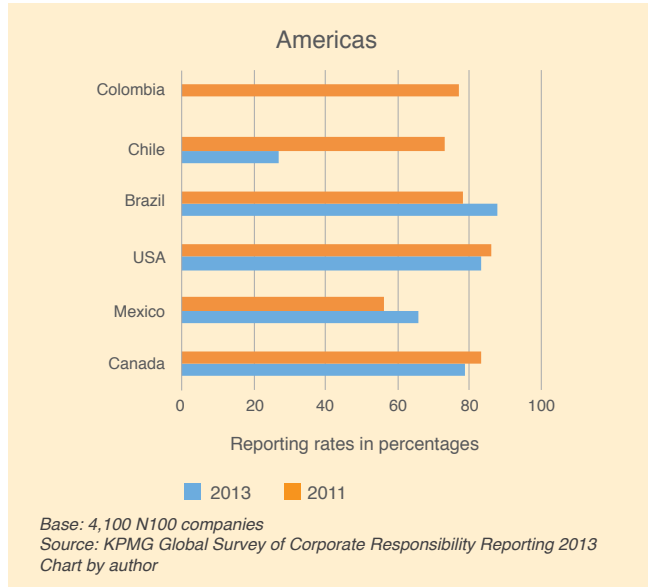
- Malaysian law and the listing requirements of the Malaysia Stock Exchange require all public listed companies to report on Corporate Responsibility.

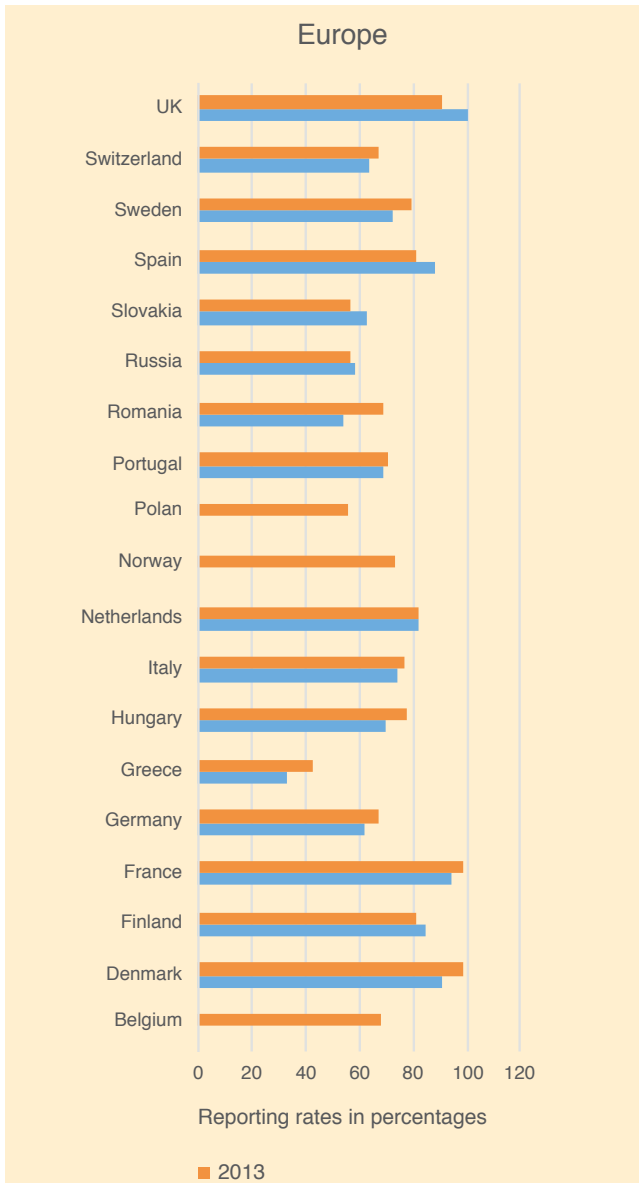
**5**  
**Japan**

- Mandatory and voluntary guidelines for certain types of companies to report on environmental impacts.

**6**  
**Indonesia**

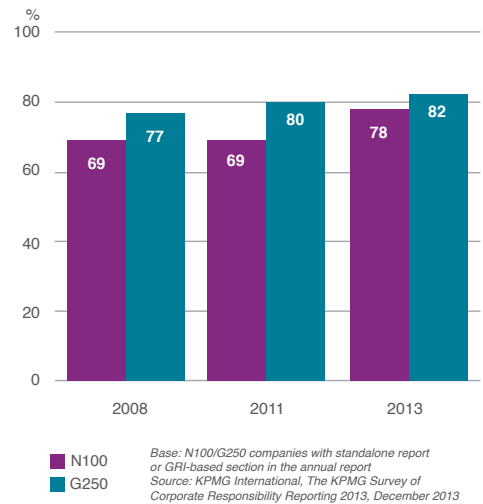
- Limited Liability Companies and public listed companies are required to report on CR in their annual reports.





Base: 4,100 N100 companies  
 Source: KPMG Global Survey of Corporate Responsibility Reporting 2013  
 Chart by author

### Use of the GRI Guidelines



It is also worth reviewing the standards used for Sustainability Reporting and their relevance. The GRI Guidelines seems to have gained the most traction with 82% of the reports in the KPMG survey using these.

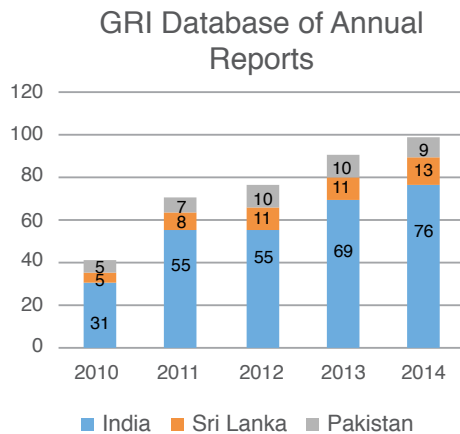
We may see a change in these numbers as the USA has now developed its own standards, the Sustainability Accounting Standards which are promulgated by the Sustainability Accounting Standards Board (SASB). SASB has issued 77 standards in 11 sectors and its target disclosure is a mandatory filing. This is in contrast to the GRI and IIRC approaches which are intended to be voluntary.

### Way Forward for Sri Lanka

Sustainability Reporting is becoming increasingly important in the development of capital markets and voluntary sustainability reporting in Sri Lanka is clearly gaining traction. A quick way to gain recognition of these efforts is to ensure that Sustainability Reports are uploaded on to the GRI database so that awareness is created about the progress in this regard in the country. For 2014, only 13 reports have been uploaded on to the GRI database although we have more than 86 GRI reports in the country.

Evidence from the KPMG survey supports regulation as it has been a key factor in driving the growth of sustainability reporting. Malaysia and Indonesia are examples where mandatory reporting has supported growth of sustainability reporting. The different approaches used by regulators are worth considering to see if one is appropriate for Sri Lanka. For example, the Central Bank

of Nigeria issued guidelines in 2012 mandating financial services companies to report on CR and India requires the top 100 companies to report on CR whereas South Africa requires all companies listed on the Johannesburg Stock Exchange to prepare an Integrated Report including CR.



Reporting entities should subject the sustainability information to the same rigorous internal control processes and review as financial reporting information to enhance the quality of the reports. This will enable organisations to understand and use the information to support objective decision making which in turn will support optimal resource allocation.

It is important to note that Sustainability Reporting initiatives must be led from the front by the CEO and the Board. This serves to highlight the importance placed on the processes and encourage a change in the organizational culture on awareness and engagement with sustainability reporting. High level engagement in review of stakeholder engagement processes and the organisation's value creation processes greatly enhance the identification of material issues and connectivity of risk management, internal controls and performance management to the material issues. It also secures much needed time, resources and recognition required for embedding sustainability reporting processes within the organization. Sustainability reporting in Sri Lanka needs to evolve to a stage where targets can be set for key indicators and only high level commitment can take entities forward towards this goal.

Investing in external assurance on sustainability reports will enhance their credibility and also gain expertise and insights into areas for improvement from experts in sustainability reporting. This will also collectively drive the quality of reporting across the Board as entities implement the recommendations, enhancing their own quality of reporting. Awards and accolades for sustainability reporting also drive growth in both the number and the quality of reports as entities review and research new developments to gain an advantage.

Reporting entities should also look to align sustainability goals with the Sustainable Development Goals which replaced the Millenium Development Goals. Achieving the Sustainability Development Goals will require cohesive action and alignment with the 169 targets outlined for the 17 indicators to increase the country's aspirations in achievement of the goals.

I believe the above recommendations will drive performance and innovation as we expand the key performance indicators beyond a financial focus towards sustainability indicators based on a clear identification of material issues. Other benefits such as the positive impact on reputation both internally and externally will impact several areas of performance positively in a myriad ways and build strong organisations that will drive the sustainable growth of capital markets.



# SOFT SKILLS, FOR YOUR FUTURE



L. W. S. Prasadi  
MAAT, B.B.A. Finance (Sp), CA Passed Finalist,  
Audit Manager,  
S. Munaweera & Co.

**Being a Professional, one dreams of achieving a respectable job in the market. As the tides are shifting, research indicate that soft skills such as effective communication, analytical thinking, conflict resolution, flexibility, team spirit, ability to work under pressure, accepting responsibility, innovative mindset and problem-solving skills are crucial to a job-seeker.**

Soft skills can be defined as personal attributes that enable one to interact effectively and harmoniously with other people. Soft skills complement hard skills, which is a technical requirement of a job, hence soft skills are important in adding more value to technical skills of a person.

Traditionally, soft skills weren't acknowledged as valuable in many technical disciplines. With the lapse of time value placed on soft skills proliferated during recruitments.

Two cakes made on the same recipe can have two prices in the market, if one is delightfully decorated. Similarly, Professionals unleashed to market could perform better through acquisition of academic knowledge. Thus soft skills can be utilized to decorate themselves in order to be singled out from their own competing group.

Many back office functions are being outsourced to obtain cost benefits, while few technical jobs remaining in-house are also pushed up in the value chain. This

requires more interaction with the overall business and more collaboration with other technical and nontechnical professionals. Final result of this evolution is, increasing the demand for soft skills in business environment. In order to secure a position in this competitive market situation, candidates must show that they have skills in the following areas,



## Communication

As a soft skill, it doesn't require one to be a gleaming presenter or a novelist. What matters is the ability to express your thoughts well in day to day work. This may be applicable in writing a simple memo, or when persuading others with a presentation or just being able to calmly explain to a team member your thoughts. If you have good communication skills, it will help you to build better working relationships with your colleagues.



## Analytical Thinking

Evaluation skill and analytical thinking are two very important skills that a person should develop. Ability to understand the story hidden behind numbers will help

to give the best solution to the problem. Always attempt to provide a summary and highlight the key areas for attention, rather than producing raw data. Also remember there can be more than one way of interpreting data.



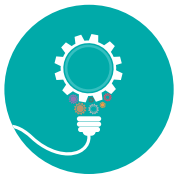
## Conflict Resolution

Developing mutually beneficial relationships in the organization helps to influence and persuade people. This requires listening to the others' point of view. Negotiating for win-win solutions to serve the best interests of the company and the individuals involved, is critical.



## Flexibility

Think of a situation in an organization where one employee works on his own and is not willing to listen to others. The second employee is flexible to listen and consider the ideas of others. Who will be picked for the next promotion? To succeed in most organizations, you need to have a passion for learning and the ability to continue to grow and stretch your skills to adapt to the changing needs of the organization.



## Creativity and problem-solving skills

Always do something that others haven't done, be creative. Be able to explain how you approached the problem, how you involve others and what will be the outcome.



## Being a team player

Team player refers to both leaders and followers. A good team player has the team goals clear in his mind and works with others to achieve it. Team players are open and honest, and offer constructive suggestions.



## Ability to work under pressure

In the corporate world we have to deal with many challenging deadlines. In such a situation ability to decide the correct approach and clear focus will help to achieve maximum results in a short period of time.



## Accepting responsibility

Businesses want people who are dependable, reliable, enthusiastic, and enjoy hard work. Committed employees need very little supervision or motivation to do their best and get the job done. Employers on the other hand lookout for people who take responsibility for their work, and are confident enough to put their name to it.

In order to identify importance of above soft skills and practicality, consider solid and interesting ways to practice above skills in your day to day activities.

If you have got kids, think of the importance of time management, ability to work under pressure and being creative. If you are to deal with tight deadlines, you'll squeeze out every second effectively in order to take maximum benefits while keeping pressure levels down. If you are to work with a bunch of tough attitudes, you'll be using your team spirit to keep harmony. We all own soft skills within us, more or less. We apply soft skills in our daily life without identifying them. We must train and improve further in order to take maximum benefits from these skills. It says that soft skills are hard to learn. But, Soft skills are within us and we use these skills every day.

To conclude, Soft skills are personal qualities and attitudes that can help you to work well with others and make a positive contribution to organizations you work for. However, this does not suggest that technical skills and knowledge aren't important. On the other hand technical skills can be taught more easily than soft skills, which tend to be either personal characteristics or skills that have been fine-tuned over a period of time.

## Developing & Financing Capital needs of SMEs - Policies and Challenges



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### Introduction

If a reverse journey is undertaken retracing the annals of Global Economic Development and growth, it would become clear that many multinational mega corporate giants who have made great contributions to the growth of economic prosperity and changed the course of the modern world have started as SME's. Even in the Sri Lankan context, this would hold water as some of the well known mega business enterprises have started as micro level entities.

The all powerful Microsoft had a humble beginning in a small garage in North-America, by a couple of youth including Bill Gates and Paul Allen. Hewlett-Packard started in a little wood shack; Google was begun by a couple of young kids who thought they had a good idea; even Volkswagen at one point was just a little car maker in Germany although it is a multinational business empire today.

The era of 1970 to 1980 decade witnessed private sector becoming globally recognized as the "Engine of Economic Growth", based on the notion that the developed countries were able to achieve economic growth mainly due to the

success of the private sector businesses. SME's being an integral part of private sector forming bulk of the business enterprises throughout the world contributed towards the growth of business giants through efficient and cost effective support services. SME's offered cost efficiency through cheap and specialized labour enabling large companies to procure services at competitive costs. This role has continued to this day and SME's today occupy an important place in the global economy, as well as that of Sri Lanka.



## What is a SME?

SME's refer to Small and Medium Enterprises. There is no globally accepted standard definition as to what constitutes an SME.

In the absence of an internationally accepted uniform definition, many countries use number of people employed and asset base of a given enterprise as relevant parameters to determine if a given entity falls into the category of a SME. There is no uniformity in application of these parameters and as a result different countries adopt individual norms in applying these variables.

## What is a SME in Sri Lanka?

In Sri Lanka a variety of terms is used to identify SME's. They are called Small and Medium Industries, Micro Enterprises, Rural Enterprises, Small Scale Industries and Cottage Industries etc. Criteria adopted to identify SME's in Sri Lanka include, Fixed Capital Investment, Number of People Employed and the Nature of the Industry in which the enterprise operates, Nature referring to the sector the enterprise operates, formal or informal sector.

A SME can be identified based on many parameters. These variables could vary from one country to another depending on the specifics of each country. Dearth of structured and well defined data pertaining to this extensively diversified segment of the economy hinders the task of defining it on commonly acceptable parameters.

However, Industrial Development Board in Sri Lanka defines an enterprise that employs less than 99 people and having an asset base worth Four Million Rupees excluding land and buildings as an SME. There is another definition which stipulates that an enterprise having less than 50 employees with an asset base of 20 million as an SME.

According to the World Bank, an enterprise employing less than 99 people can be termed an SME. In the absence of a standard definition as to what an SME is, it has become important to clearly define a set of standard criteria to determine how an enterprise could be classified as an SME, to facilitate implementation of sector specific policy and support measure which encompasses, targeted fiscal concessions, specific business development and support services and defined schemes of financial assistance with a view to promoting sustainable growth of SME sector, which plays an increasingly important role in the process of economic development today.

## Significance of SME's

### Local economic scenario

SME's are an indispensable part of the Sri Lankan economy for they account for nearly 80% of all business enterprises in the country, employ over 70% of the work force and contribute more than 70% of the Gross Domestic Product.

SME's are extensively diversified and could be practically found in all sectors of the economy, such as primary, secondary and tertiary. They are an important source of employment for persons of varying degrees of competencies and skills. They employ skilled, semi-skilled and even unskilled persons and contribute about 35 percent of the employment opportunities. SMEs could be found in a wide spectrum of areas from agri-business sector to manufacturing sector engaged in numerous industrial activities accounting for nearly 20 percent of industrial establishments.

SME's make a huge contribution in the service sector by accounting for over 90 percent of business establishments. Hallmark of SME sector is it fosters inclusive growth, an important strategy of economic development and reduction of poverty. SMEs contribute to this endeavour by providing productive employment opportunities to differently skilled persons. This way SMEs play an active role in the development of entrepreneurial skills, innovation and thereby promoting economic growth.

### Positive impact in rural development & reduction of poverty through employment creation

Highly diversified SME sector that covers extensive range of products and services presents an enormous potential to spur economic growth to bring about desirable socio-economic benefits. Hence it is of great relevance to Sri Lanka which is currently on an ambitious development drive to achieve a great milestone to become the Wonder of Asia within a short to midterm time frame.

Whilst 'investment per employee' is said to be the lowest in small-scale industries as revealed by the Department of Census & Statistics of Sri Lanka, SME sector forms an essential source of employment creation, which to a certain extent serves the purpose of income distribution among lower rungs of the income hierarchy characterized by huge economic disparities. Thus SME's aid the Government in its efforts aimed at reduction of poverty and unemployment particularly in rural and under-privileged segments.

In this way, SME sector offers a vital contribution to buttress Governmental efforts in eradicating uneven development prevailing throughout the country by fostering balanced regional development and growth of the rural economy.

### Harnessing human capital

The SME sector is an ideal platform for the Government to build human capital to a level where the potential benefits of a state-led SME drive could be fully realised. As per the Government estimates, around 80 per cent of the businesses in Sri Lanka falls under the SME umbrella, and contributes over 50 per cent to the Gross Domestic Production (GDP) of the country. Of the total employment in the country, SME accounts for a share of 35%. Hence, these statistics reveal that there is immense potential to enhance present level of contribution made by the SME to the economy when compared with its contribution to GDP in other countries.

### Global Perspective of SME's

Globally, SME's play an important role in the growth of the world economy. SME's with the highest number of business entities form a dominant force on the global business

As a diverse and competitive business segment, SME's account for more than 50% of the GDP in some developed countries and global economic data indicate that SME sector comprises of more or less 95% of the formal business enterprises in the world. SME sector wield prodigious influence on advanced economies, as it makes up nearly 95% of business entities and is the major source of providing employment with a huge contribution of more than 65% of employment opportunities whilst accounting for over 50% of the Gross Domestic Product.

Hence SME's undoubtedly play a fundamental role in the growth and sustenance of advanced economies in the international scene and thus make an indispensable contribution to global economic development.

It is interesting to note that global economic power houses such as United States and European Union place heavy reliance on SME's for generation of employment. Statistical data released in 2010 indicate that, whilst SME's account for little over 67% of total employment in European Union where it employs approximately 76 million people, its contribution to employment in United States is even more, as it has produced 75% of the new jobs. SME's in US generate more than 50% of the GDP generated by private sector firms excluding farming segment. This vividly shows the enormous significance and the indispensability of the SME sector in the global economic scenario.

Economic data released by the Australian Govt show that in 2011 SME's made an enormous contribution amounting to 60% of the Industrial Value Added. In the countries under the umbrella of the Organisation for Economic Co-operation and Development, SME's are the dominant force with more 95% of the business enterprises falling within this category.

SME's are also playing a vital economic role in developing countries where they form over 90% of the business enterprises outside the scope of agricultural sector. They generate substantial portion of the Gross Domestic Product of those countries. In South Africa an estimated 91% of the formal business entities are SME's, which according to economic data produce nearly 57% of its annual GDP. In countries such as Morocco and Ghana SME's play a prominent role. Even in India SME's have played a conspicuous role in economic activities by representing 40% of the Industrial output and 40% of all



exports as indicated by economic data pertaining to Year 2010.

SME's as a labour intensive sector makes immense contribution as an important source of productive employment opportunities for emerging Economies and Developing Countries that are plagued by higher levels of unemployment. Due to the labour intensity of the SME's sector, SME's permit creation of employment through relatively low capital investment, which has been a welcome feature to the developing economies with less capital investment. Thus SME's help bridging the yawning economic disparities by helping the reduction of high level of unemployment in rural communities and in turn contributing towards the upliftment of their standard of living.

SME's being a diversified sector serves as an important source of support services to large scale industries involved in global trade. They also promote specialization, skills development improvement of labour productivity throughout the globe.

## Primary challenges & issues faced by SME Sector in Sri Lanka

### Lack of sector driven clear policy framework

One of the key issues faced by SME's is the lack of a properly defined policy framework to guide development, growth and sustainability of this sector, which forms a large portion of the Sri Lankan economy and makes a significant contribution to the national GDP.

### Asymmetry in development and growth

There are a large number of SME's in Sri Lanka scattered throughout the country. However an analysis of the region-wise contribution of SME's to the GDP indicates that, best part of it, or approximately 50% comes from the Western Province, which shows that growth of SME's has been uneven or asymmetric. SME's being a major source of employment opportunities could be regarded as an important catalyst driving reduction of poverty in rural areas and therefore lack of even growth would mean many regions are lagging behind in economic progress and in turn would be facing adverse socio-economic consequences.

It is important to note that most of the industrial establishments are spread in the Western Province- specially the two districts- Colombo and Gampaha where about 52% and 28% of Small and Medium scale establishments are located. This is very clearly not a favorable condition for Sri Lanka as Western and Central provinces have 70% of total Medium scale and 50% of

total small scale industries, covering 6 districts out of 25 in the country. Moreover, Colombo, Gampaha and Kandy districts cover 55% of Medium scale industries and 37% of Small scale industries, indicating the absence of proper dispersion of SMEs, which is not supportive to achieve sustainability and creating employment throughout the island. This situation does not help the unskilled workers and youth to get opportunities for training to improve their skills and improve their income and standard of living. Due to this as a country, it appears that the labour force is not utilized efficiently and effectively to contribute to the economy to achieve the sustainability and reduce the unemployment and poverty, which are primary objectives expected with the development of SMEs.

There is widely accepted presupposition that poverty is a major driving force of social unrest. Therefore chronic state of unaddressed social unrest could in the end manifest in the form of heightened social turmoil and may provide fertile breeding ground for violent movements.

Livelihoods of rural communities are centred mainly on micro industries and hence lack of their growth and / or sustainability would result in social deprivation which would lead to escalation of criminality and manifestation of extreme forms of violent human behavior with catastrophic consequences to the country as a whole.

This is one of hypotheses concerning the decade's long armed hostilities that led to untold hardship and serious economic calamity.

### Difficulties in accessing concessionary financing, the major issue

One of the major issues faced by SME sector from the world over is accessing adequate and timely financing on competitive terms, particularly longer tenor loans. The non availability of access to concessionary financial schemes to support capital investment for expansion, research and development for innovation and working capital needs for the purpose of managing the running of ongoing business affairs has adversely affected capacity building of the SME's.

Moreover, policy and regulatory issues, institutional weaknesses in the absence of realistic credit appraisal and risk management/monitoring tools, the absence of collateral arrangements and lack of reliable credit information on SME's has made it difficult for lenders to be able to assess risk premiums properly, creating differences in the perceived versus real risk profiles of SME's.

There are no special lines of credit available targeting SME's. Banks are reluctant to extend credit facilities to SME's due to perceived high risk in this sector. The

nature of SME's is such that they lack financial rigor. Small business entities suffer from the lack of proper and organized financial records and financial discipline.

These are major constraints faced by the SME's in Sri Lanka as well as in many developing countries, and also in some developed countries such as United States and United Kingdom.

### **Impact of financial crisis on access to financing by SME's**

Financial crisis in 2008 witnessed widespread economic downturn in the aftermath. Financial crisis led to further increase the finance gap for SME's in developing countries since access finance was restricted across the board. Even in developed countries lending to SME's in the form of loans and short term overdraft facilities was drastically restricted to curtail risk. This situation had a pervasive effect as it affected US, Europe, Australia and OECD countries as well.

Small business entities took the brunt of the resultant hit due to reduced lending. The aftermath of financial crisis saw cost of credit for SME's such as overdraft margins and overdraft facilitation fees increasing dramatically whilst rates of rejection of loans and overdrafts to SME's too witnessing a significant escalation. Whilst firms with low risks which are able to furnish collateral were able to secure credit facilities, the rest of the SME's found it very hard to access credit.

### **Lack of Business Development Services (BDS)**

Business development services are vital in stimulating the growth of SME's. BDS services provide vital inputs for capacity building to drive better performance, increasing access to markets, enhancing competitiveness and improving profitability. They include a multitude of non financial and advisory services that inter-alia include market access, infrastructure, policy advocacy, accounting and book keeping, legal advice, consultancy, training and technical assistance, alternative financing schemes as well as business incubation, technology and product development, input supply, etc.

These services are important in assisting fostering the growth of SME's and ensuring their sustainability. In this process, they enable creation of employment and contribute to enhance economic security and alleviation of poverty and empower vulnerable segments. BDS that are designed to assist micro level enterprises to bring about greater economic security through income generation also enable innovation and development of value added products and services.

There are different sources of channels of BDS such as Government Agencies, Private Consultants, Chambers of Commerce or Federations of industries.

### **Operating in Isolation/Enclaves**

SME's are operating in enclaves or in relatively isolated environments. So their main issue does not concern the scale of operations. One of the main constraints facing them is, having to operate in isolated and enclave working environments. Thus SMEs individually on their own have little capacity to respond to competitive pressure through innovation and business expansion.

In this context it is vital to study, identify and assess existing constraints to innovation, productivity and growth of this sector in the Sri Lankan economy. Research carried out in this connection show that there is a need for common innovative infrastructure as SME's on their own are unable to employ expertise in areas such as business planning, strategy formulation, finance, business development, marketing, evolving technological and global market trends etc for innovation and business expansion.

### **Localised business focus**

SME's suffer from inherent deficiencies such as, one small country approach and not being up-to-date in contemporary, dynamic and fast evolving techniques of modern business management. Hence there is lack of initiative on the part of SME's in looking beyond narrow horizons and the limited scope of business activity.

This phenomenon has made SME's to focus on domestic market to provide low cost run-of-the-mill type commonplace solutions to day to day requirements of a limited market segment with less attractive prospects for sustainable growth in business. So there is no drive for innovation, growth and expansion to conquer new frontiers.

### **What should be the desirable policy response?**

#### **Sector driven focus by Govt**

Government needs to recognize SME's which form bulk of the private sector as an integral part of the "engine of economic growth". Hence measures could be taken on a priority basis to carry out an objective survey to create a proper database of SME sector with detailed analyses based on multitude of factors such as nature, scale, investment, employment, location, markets, products and services and core issues etc to enable formulation

of specific policy measures, procedural guidelines and business strategies to uplift Small and Medium Scale Enterprises.

This endeavour could be undertaken by a single line ministry, so that a well coordinated nation-wide action plan based on a comprehensive policy framework embracing measures with regard to financial, legal, fiscal, tax and other relevant criteria could be implemented in support of the growth of SME's, giving due consideration to the very significant contribution made towards national GDP.

### Setting up of SME Policy Unit

It is important to establish a fully fledged SME Policy Unit to facilitate productive and continuous interaction with SMEs, so that a master database could be maintained in an up-to-date manner providing vital information and statistics concerning the SME's sector. This would among other things enable identification of priority needs & issues, so as to take required measures in a timely manner to develop realistic and sector driven business strategies for the benefit of this important business segment.

SME Policy Unit could spearhead measures to organise periodical SME forums involving important stakeholders and relevant Private and Public Sector support services and agencies, where key issues SMEs are faced with could be highlighted and discussed with a view to finding realistic and practical solutions.

One of the most desirable mechanisms would be to adopt a PPP model of problem solving, where Private and Public Sector could jointly explore ways and means of effectively addressing issues and initiate required measures in an efficient manner to offer timely and cost effective solutions.

### Establish Business Developmental Services and other advisory assistance

Lack of BDS has been highlighted as one of the root causes which has led to SME's lagging behind in growth.

One of the most important steps would be to set up business incubators.

**Business and technology incubation has been adopted worldwide as an effective means of promoting and supporting SMEs in becoming innovative entrepreneurs in transforming technological results into new products and services.**

Business incubation is a business support process which accelerates the successful development of start-up and fledgling businesses by providing entrepreneurs with an array of targeted resources and services. These services are usually developed by incubator management and

offered both in the business incubator and through its network of contacts. A business incubator's main goal is to produce successful enterprises that will leave the program financially viable and freestanding.

Besides, measures could be taken to address host of other important non-financial services to foster the growth of SME's.

### Enabling easy access to concessionary finance

The inability of the SME sector to access concessionary finance is one of the key constraints or perhaps the main obstacle stifling growth of SME's and hence the issue of access to finance must be addressed, decisively and effectively.

Success of this endeavour would largely depend on how organized and streamlined are the business process and operations carried on by SME's in maintaining complete and accurate records & books of account with regard to statutory requirements and business operations, that are critically important in evaluating the viability of a given business entity, especially in a context where funding is sought for purposes such as working capital needs, expansion of operations and/or research and development initiatives etc. As it is well known SME's lack financial discipline, measures need to be initiated to inculcate financial rigour in SMEs to ensure best financial practices are adopted, so that when it comes to submission of documentation required to support application for financing, they would be better placed to fulfill required pre-requisites without much of a hassle.

In this regard, Regional Development Banks and Regional Banking units of other main stream banks or any specialized bank set up for the purpose could be utilized to channel funding for SME's

### Developing support ties / linkages with institutional mechanisms

A large number of SME's are run as informal set-ups. They do not operate as progressive, forward-looking businesses by adopting proper formalities and procedures in the conduct of affairs. They suffer from the inability to formally interact with formal bodies such as financial institutions, research agencies and universities etc, providing mechanisms for institutional assistance for important needs to growing businesses. So it is an essential need that relevant government institutions, R&D firms and Universities take necessary measures to initiate closer ties and maintain regular interactions with SMEs for them to gain access to evolving technology, new knowledge, global business trends, other relevant information and investment possibilities important in growing business.



A line ministry set-up to take care of SME's could facilitate regular and close interaction of financial sector personnel, government officers, scientific community, Govt universities and other educational/training institutions, chambers of commerce, regional financial institutions, administrators of local authorities, NGOs and other relevant bodies providing BDS services to assist SMEs.

In this regard, support linkages can be developed with ITI, EDB, SLSI and Department of Registration so that at regional level too services can be accessed by a typical SME.

### Setting-up of regional industrial zones

Govt could as part of its economic strategy to level off disparities in regional economic development, reduce rural unemployment and bring down poverty, could establish industrial estates in different parts of the country in a sector specific manner giving consideration to regional resources, skills, industries etc, in order that there will be greater focus and stronger networking leading to creation of strong & competitive and profitable industries. This can also help drive improvement and sharing of industry specific technology, skills and knowhow whilst creating opportunities for employment.

### Taking variety of additional positive measures to support SME's

#### 1. Fiscal support.

A special SME development fund could be established through the annual budget process to offer fiscal support to SMEs.

#### 2. Financial support.

Central Bank of Sri Lanka could introduce and strengthen credit policy guidance to bring about an environment conducive for lending to SMEs. In this regard measures could be given / taken to tap global financial assistance available to uplift SME's sector to facilitate better access to concessionary financing through local banking system. Steps could be taken to encourage commercial banks to revise their credit structure to ensure extension of greater credit support to SMEs. The state could take measures to broaden the direct financing channels of SMEs. Also, an SME credit guarantee system could be established to promote this kind of guarantee as a financing channel for SMEs.

#### 3. Support to start-ups.

Support schemes could be established for required assistance to be given to the establishment and development of SMEs by offering tax incentives. Eligible SMEs thus

could enjoy reduction and exemption of income tax within a given period.

A set-up similar to BOI could be created to specially handle formation of SME's on priority areas of economic activities earmarked by the state based on its mid to long term economic strategy with a range of fiscal and other incentives and investment financing support schemes to encourage higher investments in the SME sector.

#### 4. Support on technology innovation

SMEs could be encouraged and supported to develop new products/services to meet market demand, adopt advanced production techniques and equipment to enhance product quality and achieve technological advancement. SMEs undertaking technology innovation and technology renovation projects in support of large enterprises could be made eligible for interest subsidy. SMEs are encouraged to collaborate with academic and research institutions to carry out technology cooperation, development and exchange. The commercialisation of technological achievements could be promoted by encouraging technology-type SMEs.

#### 5. Support on market expansion.

Large enterprises could be encouraged to cooperate with SMEs in areas such as raw materials supply, production and sales. Priority will have to be given to SMEs during government procurement of products and services. Also measures could be taken to provide incentives for large conglomerates and corporate entities to provide business outsourcing opportunities to SME's in areas of their specialization to help expand the SME sector.

#### 6. Protect the lawful interests of SMEs.

The state could step in and initiate necessary measures to protect the lawful investment in SMEs and their investors as well as their lawful interests derived from such investment through positive measures taken for that purpose.

### Internationalisation of SME's

Internationalisation is important for the competitiveness and expansion of Small and Medium Enterprises of different sizes and sectors. Required policy and support mechanisms and schemes should be created by the Government in furthering this initiative.

SME's could internationalise operations by exporting, forming partnerships across borders and establishing businesses in other countries. This is a potential area needing focus as SME's in many countries the world over are playing a noteworthy role in sustaining export trade. In India during the period from 1998 to 2008, SME's accounted for 38% to 40% of exports and in the case of China, contribution of this sector is even more striking with SME's representing 60% of the exports in 2009.

Internationalizing SME's could expand markets, generate higher turnover and enjoy better profits with an international outlook for their businesses. Moreover there will be opportunities for cross border subcontracting and outsourcing businesses. SME's involved in international trade provide better employment opportunities than their localized counterparts.

International focus of SME's is particularly beneficial for developing countries such as Sri Lanka, as it has proven to be instrumental in spurring economic growth as demonstrated by empirical evidence derived from neighbouring countries such as India, Bangladesh, Nepal and Pakistan.

### Barriers to Internationalisation

SME's would inevitably face many obstacles in internationalizing operations which inter-alia include,

- Pricing of products
- High costs involved in the internationalization process
- Lack of capital to invest in financing overseas business operations
- Shortage of reliable, accurate and adequate information required in setting up a new business operation overseas
- Difficulties in identifying right business opportunities in foreign markets
- Lack of managerial time to deal with internationalization
- Inadequate skilled and competent manpower to handle international operations
- Difficulties in managing international operations
- Inability to contact potential customers
- Lack of public support in host countries
- Difficulties in matching competitors prices
- Difficulties and complexities associated with cumbersome paperwork and issues concerning transport
- Lack of fiscal and other incentives and home government assistance in host countries
- Limited information available concerning overseas markets
- High costs of transport

### What should Government do to address the Barriers?

- SMEs have to be encouraged to introduce foreign capital, advanced technology and management skills through the establishment of Sri Lanka-foreign equity and contractual joint-ventures in accordance with the state's foreign capital utilisation policy / strategy
- SMEs will have to be encouraged to increase exports and engage in foreign economic and technological cooperation and exchange. Qualified SMEs will be encouraged to invest abroad, participate in international trade and expand into overseas markets
- Steps could be taken to offer export grants to enable SME's to cover high costs involved in export trade
- Develop programmes to spur export growth particularly in areas where SME's specialize
- Enable clustering of SME's especially in industrial ventures to enable accessing of international markets
- Making available export development concessionary financing covering International Trade Assistance Programmes, Business and Market Development Programmes
- Establishing export guarantee insurance schemes
- Making available regularly updated, analyses and reports on overseas markets
- Establishment of specially tailored insurance assistance programmes by state sector
- Extension of assistance in identifying trade partners and developing export alliances
- Provision of export consultancy services
- Facilitation of participation in overseas trade fairs and forums
- Enabling export development capabilities through export development supporting services
- Enhancing export competitiveness through fiscal and macro economic measures

### Conclusion

The SMEs play an important role in promoting inclusive growth. The focus on SMEs in policy discussions emanates also from their role in developing entrepreneurial skills, innovation and promoting economic growth. These are also seen as useful in promoting social cohesion. It is therefore considered essential that the environment these SMEs operate in be improved.

# THE STAMP DUTY CHARGE BY PROVINCIAL COUNCILS



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**STAMP DUTY IS THE MAIN DIRECT CHARGE, INTRODUCED UNDER THE FINANCIAL STATUTE OF PROVINCIAL COUNCILS IN SRI LANKA**

**TAXABLE ACTIVITIES INCLUDE;**

- (a). Every instrument relating to transfer of immovable property situated in the province
- (b). Every document presented or filed, in the proceedings instituted in any court of law established by law in any province of Sri Lanka.
- (c). Every Transfer of a motor vehicle effected in the province.

Stamp Duty is at the prescribed rate. Different rates may be prescribed in respect of different classes or categories of instrument.

**STAMP DUTY ON TRANSFER OF OWNERSHIP OF IMMOVABLE PROPERTY (LAND & BUILDINGS)**

This is the main stamp duty currently charged by Provincial Councils.

**VALUATION FOR STAMP DUTY**

1. Where any property is conveyed by an instrument, the stamp duty with which such instrument is chargeable shall be calculated on the value of the property conveyed.
2. Where any property transferred for a consideration is subject to any mortgage , encumbrances or reservation of interest , stamp duty with which the instrument of transfer is chargeable shall be calculated on the value of the property transferred, without any deductions for the mortgage, encumbrances or reservation.

3. Where any property is gifted subject to any reservation in favour of the donor any other person, stamp duty with which the instrument of gift is chargeable shall be calculated on the value of the property gifted as if that property had been gifted to the donee without that reservation.

## PERSON LIABLE TO PAY STAMP DUTY

Except where there is an agreement to the contrary, stamp duty shall be payable;

- (a). in the case of an instrument of transfer by the grantee;
- (b). in the case of any other instrument by the person drawing, making or executing the instrument;

## CALCULATION OF PROPERTY VALUE & STAMP DUTY

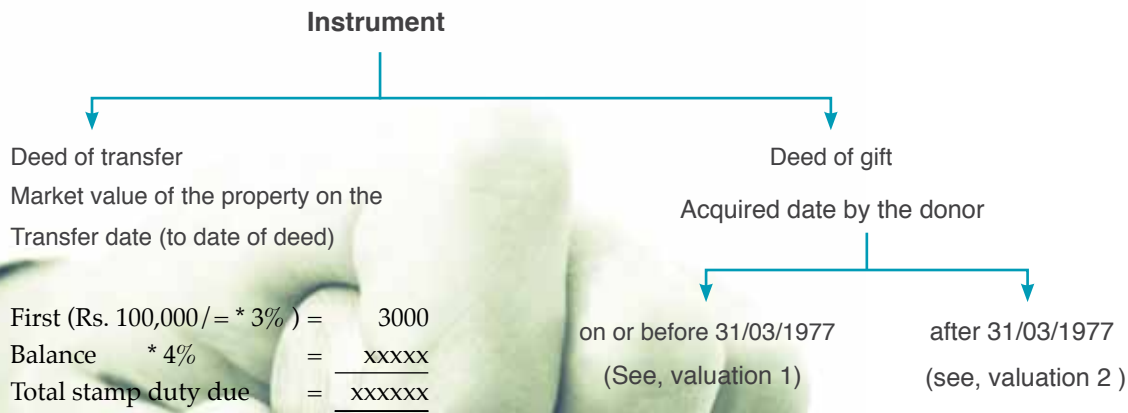
### VALUATION 1

**Calculation of the market value of deed of gift, property which was acquired by the donee on or before 31/03/1977**

(a). Market value as at 31/03/1977	= xxxxx
(+)Improvements, Alterations of, and additions to the Buildings after 31/03/1977 and prior to the date of Gifting of Such property	} = xxxxx
Value of property	= <u>xxxxx</u>

- (b). open market value at the date of gifting such property #value for the stamp duty = lowest value between (a) & (b)

Stamp duty	
First (Rs. 50,000/= * 3% )	= 1500
Balance 2%	= xxxxx
Total stamp duty due	= <u>xxxxxx</u>



<b>Instrument</b>	
<p>Deed of transfer</p> <p>Market value of the property on the Transfer date (to date of deed)</p> <p>First (Rs. 100,000/= * 3% ) = 3000</p> <p>Balance * 4% = xxxxx</p> <p>Total stamp duty due = <u>xxxxxx</u></p>	<p>Deed of gift</p> <p>Acquired date by the donor</p> <p>on or before 31/03/1977 (See, valuation 1)</p> <p>after 31/03/1977 (see, valuation 2)</p>

## VALUATION 2

### Calculation of the market value of deed of gift, property which was acquired by the donor on or after 31/03/1977

(a). Market value as at the date of acquisition of property by the donor	= xxxxxx
(+)Improvements, Alterations of, and additions to the Buildings after the date of acquisition and prior to the date of gifting such property	= <u>xxxxx</u>
Value of property	= <u>xxxxx</u>

### (b). open market value at the date of gifting such property

#value for the stamp duty = lowest value between (a) &(b)

#### Stamp duty

First (Rs. 50,000/= * 3%)	= 1500
Balance 2%	= <u>xxxxx</u>
Total stamp duty due	= <u>xxxxxx</u>

## EXEMPTIONS

The following instruments and documents shall be exempted from the payment of stamp duty;

1. Bail bond in criminal proceedings;
2. Conveyance or transfer of any immovable property or motor vehicle by the government or by a person for or on behalf of the government;
3. Instrument executed by, or on behalf of, or in favour of, the government in cases where, but for this exemption, the government would be liable to pay the duty chargeable in respect of such instrument ;
4. Instrument executed by, or on behalf of, or in favour of, the government of any country

5. The following document filed in legal proceedings-
  - (a) All documents filed in magistrates' courts and primary courts and all documents filed for the purpose of criminal proceeding in any other court;
  - (b) Documents filed in any court by public officers suing' or being sued or intervening, "virtute official" in any proceedings in such court;
  - (c) Documents filed in any court by a person duly admitted to sue' defend or intervene, as a pauper in any proceedings instituted in such court;
  - (d) Documents filed in any court by a person applying to be declared as insolvent by such court;
  - (e) All documents filed in any court for the purpose of an application for an order in the nature of a writ of habeas corpus;
  - (f) Motions filed in any court;
  - (g) Warrants issued by any court whether on application or on its own motion;
6. Will, testament or codicil, whether notarial or otherwise.





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# Basics of Company Law



Gunasekara Rathnayake  
FMAAT, BA, FCA, DPFM, Attorney-at-Law  
Senior Partner,  
Gunasekara Rathnayake & Co  
Chartered Accountants  
Visiting Lecturer – University of Colombo

## **Company Law is a wide subject and the present Companies Act No 7 of 2007 of Sri Lanka alone consists of 543 Sections.**

However, it should be noted that “ignorance of law is not an excuse”. That means when you have gone wrong you can’t say that you are unaware of the law. Simply you cannot take your ignorance of law as your defense, whether you may be an employee in the capacity of a Finance manager or a HR manager or holding a position in the top level or lower level in the corporate hierarchy or you may be a shareholder or supplier or a consumer or any other stakeholder of a limited liability company. In any case, it would be useful for you to know the basics of company law as a professional or as an average citizen who deals with companies. Therefore, I intend to discuss herein, certain areas which I believe should be within the knowledge of our members, in order to ensure that they discharge their duties effectively.

## **Brief History of Company Law**

Company concept is a novel concept which was introduced by the British during the period we were a British Colony. At the beginning of the colonial period, when plantations were opened up, the required legal background was laid under the then existing company law. Accordingly, Joint Stock Companies Ordinance was made applicable to Ceylon (as Sri Lanka was called then) in 1861 and companies were formed thereafter under the provisions of that ordinance. Thereafter, in 1938 Companies Ordinance was brought into effect and that was in force up to 1982. In 1982 the Companies Act No 17 of 1982 was incorporated and it was in force until repealed by the current Act No 07 of 2007.



by the name of the company. It means a company has no biological existence like what human beings have and it can be recognized only by the name. Therefore in law the company name is very vital. Always the company name should be used as given in the company incorporation certificate in order to minimize the ill effects which might result by the incorrect usage of company name.

### **What you should know in selecting a name for a company ?**

As stated above, the company name is very vital and obtaining approval of the Registrar of Companies (ROC) for the proposed name is the first step in the process of incorporation of a company. The name you select should be within the parameters of the provisions of the Companies Act with the approval of the ROC. An important fact is that, if a name is identical with that of an existing company either by the characters of the name or even by the way it sounds it may not be approved by the ROC. In addition to that, a name should not contain certain words as given in Section 7 of the Companies Act, such as “Chamber of Commerce, President, Presidential, Municipal, Co-operative ,Society, State, Sri Lanka” as a part of the name. Therefore, in designing a name such words should be avoided.

### **Legal Framework**

Irrespective of the fact that a business is owned and managed by a single individual or by many individuals it has a legal framework. In Sri Lanka, mainly, the following legal forms can be identified.

- (1) Sole Proprietorships.
- (2) Partnerships.
- (3) Limited Companies
- (4) Public Enterprises

Out of these four categories this article focuses attention on basics of Limited companies, which is the most popular legal form adopted by the private sector to carry out businesses and most of our members are also working in limited companies at different levels.

### **What is a Company?**

In law, a company too is a person. Persons are of two types. That is Natural Persons and Legal Persons. All human beings are natural persons. The company is a legal person created by law. As per the Companies Act a company is a body corporate which can be recognized

### **What are the types of companies?**

In general, all companies which are incorporated under the Companies Act are known as “Limited” companies. However, several types of limited companies based on legal concepts can be recognised as follows:.

- (a) Public Limited Companies - (Unquoted)
- (b) Quoted Public Companies - (PLC)
- (c) Private Limited Companies - (PVT) Ltd
- (d) Unlimited Companies
- (e) Companies Limited by Guarantee

It is practically not possible at this point to discuss all minor differences in these companies. Therefore only the significant differences are mentioned here.

### **The meaning of the term “Limited”**

A sole proprietor or partners of a partnership business are liable for all the debts of the business, which extends up to their personal properties. In the case of a limited company, the liability of the shareholders for the debts of the company extends only up to the amount that they



have agreed to pay on the shares they have purchased. That means there is a limit for the shareholders liability towards company debts.

### (a) Public Limited Companies - (Unquoted)

These companies are not registered in the Colombo Stock Exchange (CSE) and hence their shares are not traded in the share market. However, they can invite public to buy shares of the company by issuing the Prospectus.

### (b) Quoted Public Companies - (PLC)

These are limited companies which are registered in the Colombo Stock Exchange (CSE) and their shares are traded in the share Market. In an initial share issue the public can buy shares from the company and afterwards the shares are traded in the share market and those who desire may buy shares from the share market.

### (c) Private Limited Companies

Private Limited liability companies cannot invite the public to buy shares of the company through a prospectus and the maximum number of shareholders of these are limited to 50 shareholders.

### (d) Unlimited company

The liability of shareholders in these companies is unlimited and the shareholders are liable to contribute the total sum required to settle the creditors in the event the company is being liquidated. In that sense it is somewhat similar to a sole proprietorship or a partnership. When compared to other types of companies unlimited companies are very limited.

### (e) Company limited by guarantee

When compared with the other types of companies the following differences can be identified in guarantee companies.

- (i) Shares are not issued and hence there are no shareholders.
- (ii) Those who have contributed their signatures to the Articles of Association are known as members.
- (iii) The members guarantee a sum specified in the Articles of Association to be paid to the company, in the event the company being put into liquidation in order to settle the company's debts,( in the event of a deficiency in funds available for settlement of the debts of the company).
- (iv) Dividends cannot be declared or paid.

- (v) If company has earned a profit (surplus), those profits are to be ploughed back for promoting its objects.

Basically the organizations engaged in providing charity services or promoting art, commerce, science, religion, sports etc. are registered under this category.

If a company registered under this category, wishes to use the name of the company dispensing with the word "limited", they should obtain a license from the ROC under Section 34 of the Companies Act.

## What are the documents required for Registration of a company?

The following documents should be furnished to the ROC, together with the required fee in applying for incorporation of a company.

- (i) Articles of Association
- (ii) Form 01
- (iii) Form 18
- (iv) Form 19

### (i) Articles of Association

This is a document which contains the rules relating to internal management of the company. Either model articles given in the Companies Act, or tailor-made Articles which are prepared amending the Model Articles can be used. The Model Articles contain rules relating to the following areas.

- (a) Shares
- (b) Meetings of Shareholders
- (c) Directors and Secretaries
- (d) Accounts and Audits
- (e) Liquidation and removal from the Register and
- (f) Miscellaneous

### (ii) Form 01

The following details come in the Form 01 and it is important when dealing with outside agencies like Banks, Inland Revenue Department, Finance Companies etc. The details herein contained are:

- (a) Name of the company
- (b) Registered office Address
- (c) Details of Initial Shareholders
- (d) Details of Initial Directors
- (e) Details of Initial Secretary

**(iii) Form 18**

This Form is popularly known as the director's consent. Every person who has consented to become a director of the company must express his willingness by signing this document.

**(iii) Form 19**

A person who consents to act as a Secretary of a company shall express his consent through this form.

**Certificate of Incorporation**

This bears testimony as to the incorporation of a company under the provisions of the Companies Act. It is also conclusive evidence as to fulfillment of all the requirements to incorporate a company. The law requires this certificate to be displayed prominently in the registered office of the company.

**Use of Company Name and Number**

The company name and number should be clearly stated in-

- (a) all business letters of the company ;
- (b) all notices and other official publications of the company ;
- (c) all bills of exchange, promissory notes, endorsements, cheques and orders for money or goods signed on behalf of the company ;
- (d) all invoices, receipts and letters of credit of the company ;
- (e) all other documents issued or signed by the company which create or is evidence of a legal obligation of the company ; and
- (f) the company seal, if any.

Every company shall ensure that its name and the unique number assigned to it by the ROC are clearly displayed at its registered office and all other documents referred to at (a) to (f) above.

**Change of Directors or Secretary**

All subsequent Changes of Directors or Secretary should be intimated to the ROC within 20 working days of such change and Form 20 should be filed in this regard.

The companies which were incorporated prior to 2007 under previous Act NO 17 of 1982 have no Form 01, 18 and 19. For those companies the details were included in the Form 48 under the previous Act and changes were

also done filing a fresh Form 48. Now, Form 20 should be filed to notify those changes of the old companies also.

**Directors of the Company**

Directors are treated as trustees and they are totally responsible for the good governance of the company. Therefore they are individually liable for the mismanagement of the company and the Trust Ordinance, Companies Act, Penal code, good governance rules introduced by the Institute of Chartered Accountants of Sri Lanka and Articles of Association have a great impact on the conduct of the board of directors of the company. Removal and appointment of directors are done by the shareholders at a general meeting. If mismanagement is reported the court of law may "lift the veil of incorporation" and go behind the individuals.

**Secretary of the Company**

In terms of Section 221 of the Companies Act every company should have a secretary who is basically responsible to keep the liaison with the company and the ROC. Keeping records of meetings of board of directors, shareholders, convening board meetings and general meeting as per the instructions of board of directors, filing documents required under the Companies Act with the ROC, witnessing of placing of company seal in legal documents are certain duties which are coming under the purview of the Secretary. The boards of directors have sole authority to appoint and remove the secretary.

**Auditors of the Company**

Auditor is another important character of a limited liability company and since the audit of a limited company is a statutory audit all matters relating to the auditors should be dealt with as per the provisions contained in Sections 154 to 165 of the Companies Act. It is worth mentioning here that except the First Auditor all subsequent auditors should be appointed and removed by the shareholders at an Annual General meeting only. This is a draconian provision which has been introduced to the law by the legislature to uphold the freedom of the auditor. It is the responsibility of the directors and employees of the company to provide all the books and records or any other information or explanation requested by the auditor at any time and a client is default shall be guilty of an offence and liable on conviction to a fine not exceeding One Hundred Thousand rupees.

To act as auditor of a limited liability company a person should be a practicing member of the Institute of



Chartered Accountants of Sri Lanka, except in the case of private limited liability companies and companies limited by guarantee, registered auditors also can act as auditors.

### **Stated Capital**

Under Companies Act No 17 of 1982 the capital of a company was recognized under two headings, namely, "Authorized Capital" and "Issued and Fully Paid Capital". Under the present Act No. 07 of 2007 this classification has been removed and a new concept called "Stated Capital" has been introduced. As in the previous Act no nominal value of a share or share premium exists. The total of all amounts received or receivable on shares issued is treated as stated capital. Now the shares are recognized by the numbers, and the value of a share depends on the value of the net assets of the company under fair value.

### **Solvency Test**

This is also a novel concept introduced by the new Companies Act to company law under Section 57 of the Companies Act. Before making a distribution to the shareholders the company must obtain a Certificate of Solvency from the auditors. The solvency test emphasizes the necessity of maintaining the value of net assets, even after a distribution to the shareholders the company, and it is in a position to pay its debts as and when they become due in the normal course of business and to maintain the value of the company's assets at a greater value than the value of its liabilities and stated capital.

### **Annual Return. (Form 15)**

Every company at least once every year should file the

annual return in Form 15 irrespective of the fact whether the company carried on business or not. This is also an important document which is asked for in dealing with outside agencies such as Inland Revenue Department, Banks and lawyers etc. Having signed by a Director and Secretary of the company this should be filed with the ROC within 30 working days from the date of the Annual General Meeting.

### **Annual General Meeting (AGM)**

The shareholders meeting which is held once in each calendar year is known as the AGM of the company. Among other things, the following matters are dealt with in the AGM.

- (a) Adoption of Annual Report
- (b) Adoption of audited accounts
- (c) Appointment of Directors
- (d) Appointment of Auditors
- (e) Adoption of Resolutions

The AGM should be held not later than six months after the balance sheet date and not later than fifteen months after the previous annual general meeting. However, a company is not required to hold its first AGM in the calendar year of its incorporation but within eighteen months of its incorporation.

### **Proxies**

Any shareholder of a company entitled to attend and vote at a meeting of the company is entitled to appoint another person as his proxy to attend and vote instead of him. The instrument which is signed for this purpose is known as "Proxy" and the person is known as "proxy holder".

## Special Resolutions

The provisions of the companies Act and the Articles of Association of a company may require adopting a special resolution. It becomes a special resolution when it has been passed –

- (a) by a majority of seventy five per centum of those shareholders entitled to vote and voting on the question;
- (b) at a general meeting of which not less than fifteen working days' notice specifying the intention to propose the resolution as a special resolution has been duly given.

In an instance where 15 days notice has not been given, if eighty five per centum of those shareholders who vote at the resolution can adopt such a resolution as a special resolution.

## Statutory Records

As per requirements of the company it can maintain books and records as they want. However maintaining the following books and records at its registered office is mandatory under the Companies Act:-

- (a) the Certificate of Incorporation and the Articles of the company ;
- (b) minutes of all meetings and resolutions of shareholders passed within the last ten years ;
- (c) an interests register, unless it is a private company which is dispensed with the need to keep such a register ;
- (d) minutes of all meetings held and resolutions of directors passed and directors' committees held within the last ten years ;
- (e) certificates required to be given by the directors under this Act within the last ten years ;
- (f) the register of directors and secretaries required to be kept under Section 223 ;
- (g) copies of all written communications to all shareholders or all holders of the same class of shares during the last ten years, including annual reports prepared under Section 166 ;
- (h) copies of all financial statements and group financial statements required to be completed under this Act for the last ten completed accounting periods of the company ;
- (i) the copies of instruments creating or evidencing charges and the register of charges required to be kept under Sections 109 and 110 ;

- (j) the Share Register required to be kept under Section 123 ; and
- (k) the accounting records required to be kept under Section 148 for the current accounting period and for the last ten completed accounting periods of the company.

## Accounting Records

- (1) Every company shall keep accounting records which correctly record and explain the company's transactions, and will—
  - (a) at any time enable the financial positions of the company to be determined with reasonable accuracy;
  - (b) enable the directors to prepare financial statements in accordance with the Companies Act; and
  - (c) enable the financial statements of the company to be readily and properly audited.
- (2) Without limiting the provisions contained in Subsection (1), the accounting records shall contain—
  - (a) entries of money received and expended each day by the company and the matters in respect of which such money was spent;
  - (b) a record of the assets and liabilities of the company ;
  - (c) if the company's business involves dealing in goods—
    - (i) a record of goods bought and sold, except goods sold for cash in the ordinary course of carrying on a retail business that identifies both the goods and buyers and sellers and the relevant invoices;
    - (ii) a record of stock held at the end of the financial year together with records of any stock takings during the year;
  - (d) if the company's business involves providing services, a record of services provided and relevant invoices.
- (3) Where a company fails to comply with the requirements of this Section—
  - (a) the company shall be guilty of an offence and be liable on conviction to a fine not exceeding two hundred thousand rupees; and
  - (b) every officer of the company who is in default shall be guilty of an offence, and be liable on conviction to a fine not exceeding two hundred thousand rupees.

# Annual Convocation - 2015



Converting the association's objective of producing competent middle level accountants to the nation into reality, AAT Sri Lanka held its 23<sup>rd</sup> Annual Convocation on 17<sup>th</sup> November 2015 at the BMICH, Colombo in a ceremonial setting. Hon. Rishad Bathiudeen, Minister of Industry and Commerce and Mr. Lasantha Wickramasinghe, Vice-President of the Institute of Chartered Accountants of Sri Lanka graced the occasion as Chief Guest and Guest of Honour.

Passed Finalists and others who fulfilled the criteria were inducted into AAT Membership fraternity in the year 2015 and were officially awarded membership certificates at this colourful event. 16 Fellow Members, 27 Senior Members, 394 Associate Members and 46 Students who excelled in performance at the AAT Examinations held in 2015 received membership certificates and prizes respectively concluding the most significant event of the Institute Calendar.



## “Fast Tracking Financial Success” AAT ANNUAL CONFERENCE 2015

The AAT Annual Conference 2015 was inaugurated on the 12th October 2015 at Hotel Galadari, Colombo under the distinguished patronage of H.E. Maithripala Sirisena, President of the Democratic Socialist Republic of Sri Lanka. The theme of this Conference was “Fast tracking financial success”. Hon. Eran Wickramaratne, Dy. Minister, State Enterprise Development delivered the keynote address at the ceremonial inauguration.

The Annual Conference 2015 stands out in the history of AAT Sri Lanka as the first ever ceremony with the participation of the President of the country. The introduction of a mobile app which was exclusively launched for the Conference was another milestone.



## “Fast Tracking Financial Success” AAT ANNUAL CONFERENCE 2015



Inspiring Technical Sessions of the Conference followed on 13th October which were technically powered with knowledge packed addresses / panel discussions on “Business model innovation”, “Practical steps to professional conduct”, “Lead, communicate, negotiate: your path to success” & “Lean management in the age of agility”. 16 experts in different disciplines enriched the sessions, well received by participants.



## 17th IFAC President's visit to Sri Lanka

The 17<sup>th</sup> President of the International Federation of Accountants (IFAC), Ms. Olivia Kirtley officially declared open the refurbished Students and Members Service Unit of AAT Sri Lanka on 27<sup>th</sup> July 2015 accompanied by Mr. Russel Guthrie – Chief Financial Officer, IFAC during their official visit to Sri Lanka. The new Students and Members Service Unit will enable the staff of AAT Sri Lanka to guide and assist those who seek information in an efficient and effective manner. Ms. Kirtley was pleased to address the members of the Governing Council and top management of AAT Sri Lanka highlighting the role of IFAC in strengthening the global economic order through the accounting profession.

It was not long ago, on 22<sup>nd</sup> January 2015 that the immediate past president of IFAC, Mr. Warren Allen declared open the AAT Business School in his visit to Sri Lanka. The International Federation of Accountants (IFAC) established on 7<sup>th</sup> October 1977 in Munich, Germany is the global apex body of professional accountants setting norms and standards governing the conduct of members throughout the world.



## Budget Proposals - 2016



Seminar on “Budget Proposals – 2016” was organized by AAT Business School on 26<sup>th</sup> November 2015 at AAT Auditorium, Narahenpita with the contribution of eminent panelists / resource personnel. The main focus of this seminar was to highlight the important aspects of the Budget Proposals 2016 with special emphasis on corporate and personal taxation, VAT and miscellaneous taxes and the impact of new taxes on business and the economy.



## Orientation Seminar 2015 for new members

The Orientation Seminar 2015 for new members was held on 18<sup>th</sup> October 2015 in the Auditorium, AAT Centre, Colombo 05. Dr. Hilary E. Silva, Director General of Sri Lanka Institute of Advanced Technological Education (SLIATE) graced the occasion as the chief guest accompanied by Mr. J Godwin Perera, Chairman of Ceylinco Insurance PLC who delivered the motivational speech.

The main objective of this orientation seminar was to educate members newly inducted into AAT membership in the year 2015, on the subjects of professional conduct and ethics, Continuing Professional Development and other matters pertaining to members of the association.



## AAT Sri Lanka steps into North Central Province

Expanding its branch network island-wide, AAT Sri Lanka opened up another Information Centre in Anuradhapura in the North Central Province. The new AAT branch is located at No. 514/4A, 2<sup>nd</sup> Floor, New Bus Stand, Anuradhapura. This new AAT branch, opened on 24<sup>th</sup> July 2015, will enable the association to provide present and potential students and members of the province with an efficient service closer home. All Study material, Student Guides

and registration applications etc. are made available at this Branch.

Continuing its role as the leader in the middle level accountancy education field, AAT has opened 5 branches island-wide in order to maintain and provide quality service which supports better professional educational opportunities to those engaged in both private and public sectors.



## 6th Information Centre opened in Gampaha

Broadening its' scope of professional education territory, AAT Sri Lanka opened its 6<sup>th</sup> Information Centre in Gampaha on 19<sup>th</sup> October 2016 elevating the array of its services to present and potential students and Members in this popular residential region.

The New information Centre is located at Chamber Academy, No. 49/1/2, 2<sup>nd</sup> Floor, Yakkala Rd, Gampaha. All information and study materials required, can easily be obtained from this new centre conveniently.



## Passed Finalists Awards Ceremony 2015



The Passed Finalists Awards Ceremony-2015 of the Association of Accounting Technicians of Sri Lanka was successfully concluded on 15<sup>th</sup> December 2015 at the Sirimavo Bandaranaike Memorial International Conference Hall, Colombo with Mr. Lasantha Wickramasinghe, Vice President – CA Sri Lanka and Mr. W.P Russel Fonseka, Chief Financial Officer – Bank of Ceylon gracing the occasion as Chief Guest and Guest of Honour.

589 students who completed all 3 levels of the AAT Examination, were awarded certificates passing another significant milestone in their journey to become qualified accountants. Being the pioneer middle level accountancy body, AAT Sri Lanka has been producing the much needed middle level accountants to the nation over the past 27 years providing human resources for economic development.



## Members' Get-together 2015

One of the most colourful and networking functions in the Members' Event Calendar - the Members' Annual Get-together- was held on 19<sup>th</sup> September 2015, at Vinrich Lake Resort, Piliyandala, organized by the Members' Welfare Committee of AAT Sri Lanka.

A large gathering including Governing Council members, AAT members and their family members participated at this wonderful event which was filled with fun, enjoyment and brotherhood strengthening the AAT family.



## Best Annual Report and Accounts Competition - 2015

Whilst strengthening contemporary accountancy education adding hands on practical training experience to youth to produce middle level accountants to the nation, AAT Sri Lanka has undertaken activities for the betterment of society being a role model in the field. Best Annual Report and Accounts Competition is a fine example of such a major CSR activity carried out by the Association of Accounting Technicians of Sri Lanka, sharing its expertise and competence with the national school network.

The Best Annual Report and Accounts Competition of National Schools conceived for such purposes, has

been organized by the Association with approval and in collaboration with the Ministry of Education. The 8<sup>th</sup> successive award ceremony of this Competition was held on 22<sup>nd</sup> November 2015 at BMICH, Colombo. A Total of 196 national schools participated, and awards were distributed at National Level, Provincial Level and also District Level. The all island gold award 2015 was won by Royal College, Colombo, while the Silver and Bronze Awards were received by Rathnavali Balika Vidyalaya, Gampaha and Sangamitta Balika Vidyalaya, Galle, at this colourful ceremony.



Gold Award  
(All Island 1st Place)  
ROYAL COLLEGE  
Colombo



Silver Award  
(All Island 2nd Place)  
RATHNAWALI BALIKA VIDYALAYA  
Gampaha



Bronze Award  
(All Island 3rd Place)  
SANGAMITTA BALIKA VIDYALAYA  
Galle

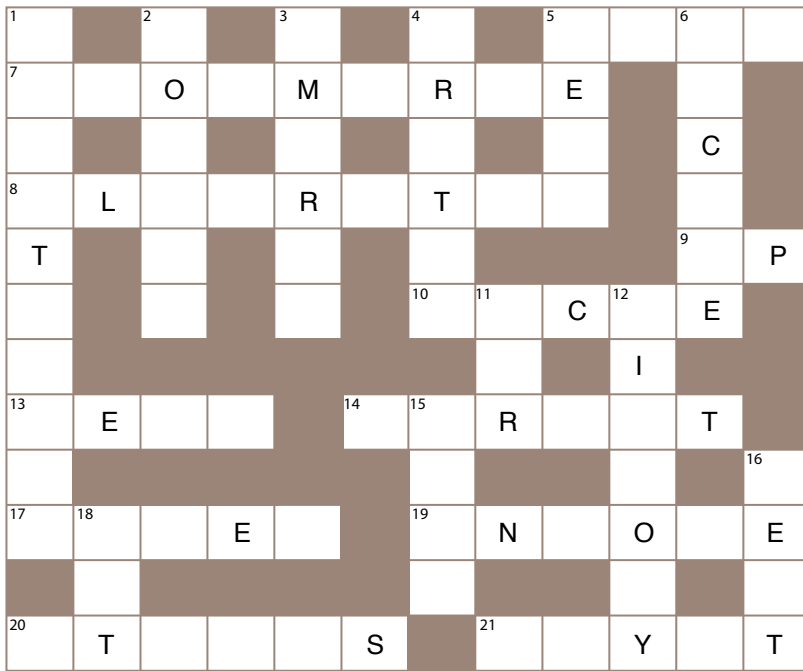
## AAT Night 2015

The last event for the year in the AAT Calendar, AAT Night – 2015 was held on 16<sup>th</sup> December 2015 at the AAT Auditorium, Narahenpita with the participation of Governing Council members, AAT members and the staff of AAT Sri Lanka. This colourful evening was decorated with dancing performances to the tunes of many a song by hitherto unknown super stars displaying hidden talents, proving that accountants do have taste, surpassing financial management.





## AAT SRI LANKA Crossword Puzzle December 2015



### RULES

- Mark as "AAT CROSSWORD PUZZLE 2015" on the Top (Left Side) of the Envelope addressed to Membership Division
- Send before the end of February, 2016
- Entries using original grid detached from "InSearch" only will be entertained

### PRIZE

- A valuable gift for the winner

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Membership No: .....

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### Down:

1. This will help to reduce your "Stress"
2. A better way to browse the web
3. Come out into view, as from concealment
4. Anyone who expresses a reasoned judgment of something
5. Long piece of timber, metal, or concrete that spans a gap and supports a floor, roof, or other structure above
6. Revenue or expense that has occurred, but has not yet been entered in the accounting records as of the end of the accounting period.
11. An indicator of profitability
12. The past
15. Prevent from being included or considered or accepted
16. A management tool that identifies the critical path
18. Choose

### Across:

5. A market condition in which the prices of securities are falling
7. Trading in products or services using computer networks, such as the Internet
8. Procedure or formula for solving a problem
9. Awake
10. RAM memory that is set aside as a specialized buffer storage that is continually updated
13. The world's largest professional association for the advancement of technology
14. Land that is covered with trees and shrubs
17. Provide additional information pertaining to a company's operations and financial position and are considered to be an integral part of the financial statements.
19. The result of subtracting expenses from gross profit
20. Standards of conduct, moral judgement
21. a cellar or vault or underground burial chamber

*Congratulations!*

Crossword Puzzle June 2015

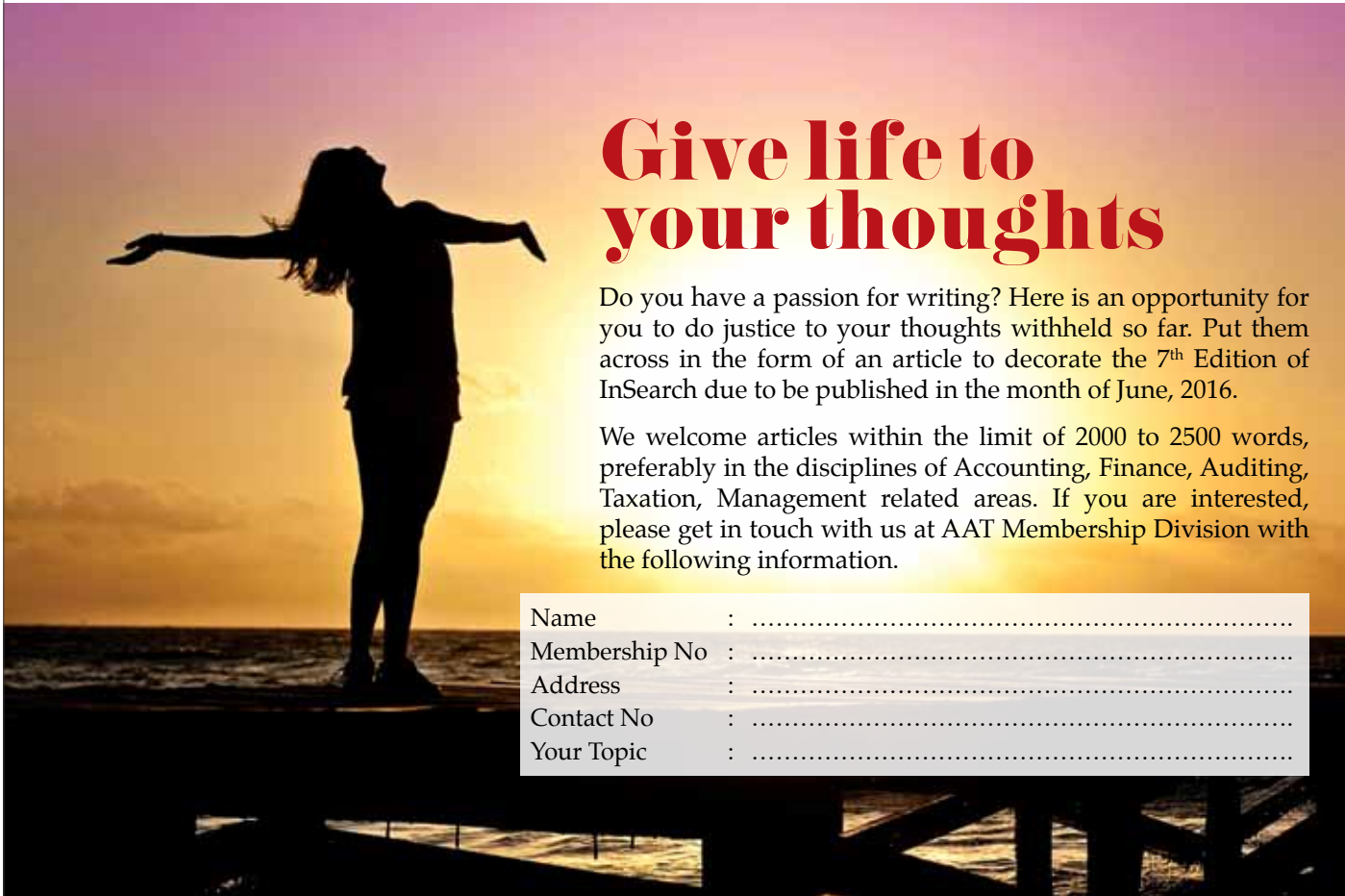
**Winner**

Membership No : LM 4810

Name : Mr. M.W.K.C De Silva



Contact AAT Membership Division to collect your gift



## Give life to your thoughts

Do you have a passion for writing? Here is an opportunity for you to do justice to your thoughts withheld so far. Put them across in the form of an article to decorate the 7<sup>th</sup> Edition of InSearch due to be published in the month of June, 2016.

We welcome articles within the limit of 2000 to 2500 words, preferably in the disciplines of Accounting, Finance, Auditing, Taxation, Management related areas. If you are interested, please get in touch with us at AAT Membership Division with the following information.

Name	:	.....
Membership No	:	.....
Address	:	.....
Contact No	:	.....
Your Topic	:	.....

## It's time to evaluate InSearch

You are no doubt aware that InSearch, was launched with a view to upgrading members' perception and knowledge of contemporary developments in the disciplines of Accounting, Finance, Auditing, Taxation etc, which would in return help them to face challenges in the context of a dynamic working environment with confidence.

We have so far attempted to incorporate articles and features to achieve that objective. Whether we have succeeded has to be assessed independently without fear or favour. Has our approach been correct? Have we covered relevant areas? The forum is open for readers to give us direction.

This appears to be the most opportune time to get our thinking written into the constitution of the country with regard to Accounting, Financial Management, Auditing and Taxation for the creation of a society free of corruption, filled with transparency, accountability and good governance. The dialogue is on for professionals to respond, and here is the opportunity for you to contribute. Why not do so through InSearch?

Our readers would like to go through your constructive suggestions/ criticisms which may in turn decorate the InSearch journal leading it on to unprecedented heights.

**Please feel free to contact Membership Division on 0112 559 669 / 0112 595 857 Ext: 324 or email to [aat1mem1@gmail.com](mailto:aat1mem1@gmail.com)/[chamil@aatsl.lk](mailto:chamil@aatsl.lk).**





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## A SPECIAL CONCESSION FOR **SENIOR CITIZENS** TO RENEW MEMBERSHIP

The Governing Council of AAT Sri Lanka has announced a special concession for members who are 65 years or above in age in recognition of their continued services extended to build the association to what it is today. Those who have renewed their membership continuously up to 2015, are eligible for this concession. Paying half of the membership fee in the respective membership categories; they can renew their membership from 2016 onwards.

Please convey this message to eligible members to avail of this concession. If you need any clarifications, please contact AAT Membership Division on 0112 559669, 0112 595857 Ext: 321, 323, 324.

Normal annual membership fee structure for 2016 is shown below,

MAAT - Rs. 2,000 / =  
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**Help your colleagues / friends / family to get connected to AAT Sri Lanka**

**Dear Member,**

**Should they be isolated?**

**Let us enroll them to membership and help them up the ladder in their careers.**

As a prestigious member of AAT Sri Lanka, we solicit your help to contact passed finalists of AAT Sri Lanka who have not yet applied for membership.

Please pass this message on to your colleagues / friends / family members and direct passed finalists to contact AAT Sri Lanka on 0112-559669 / 0112-595857 Ext: 321, 323, 324 or get information online via [www.aatsl.lk](http://www.aatsl.lk) and update their personal and office whereabouts. Our membership team is anxious to help them to get membership giving them necessary training guidelines, instructions and so on.

Display your leadership as a productive member of the association and support further growth of your formidable organization.

# Congratulations

AAT Sri Lanka clinches  
**GOLD AWARD**  
(in the SME category)

for the **2<sup>nd</sup>**  
CONSECUTIVE YEAR

at the  
51<sup>st</sup> Annual Report Competition-2015  
organized by  
The Institute of Chartered Accountants of Sri Lanka





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