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INTELLIGENCE AND INSIGHT FROM CA SRI LANKA

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THE FINTECH EVOLUTION

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Group Chief Operating Officer
Dialog Axiata

Transforming Accountants

Sylvia Tsen

Young chartered accountants

Vindya Cooray

Machine intelligence

Dr. Amal Shehan Perera



SAGA OF AN ENDURING JOURNEY



OUR HISTORY
1959 - 2019

CA



THE INSTITUTE OF
CHARTERED ACCOUNTANTS OF SRI LANKA

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Tomorrow's Chartered Accountants

As the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), we position ourselves as a national professional accountancy body with a global outlook. In this context, challenges to the profession are mounting in regard to three aspects – viz. smart digital technology, new regulations and globalisation.

It's become increasingly important to bring fundamental changes to the fore to ensure that future chartered accountants are capable of meeting not only the challenges of today but also those of tomorrow.

In fulfilling this important vision, CA Sri Lanka embarked on a crucial mission to revamp the curriculum to empower future finance professionals including chartered accountants.

Curriculum 2020 was unveiled to members, in what was an audience packed to capacity, on 25 July, marking yet another milestone for the Institute as we continue to strengthen our position across the global accounting arena.

As for Curriculum 2020, it will equip young chartered accountants with skills such as business intelligence, digitisation and leadership, which are mandatory requirements for 21st century accounting and finance professionals. This is also an important initiative from a national perspective especially at a juncture when Sri Lanka has achieved upper middle income country status.

It's become increasingly important to bring fundamental changes to the fore

An important feature of the curriculum is its increasing emphasis on digital technology. It offers early exit routes such as the Certified Business Accountant (CBA) and Certified Corporate Accountant (CCA), and a range of specialisations in actuarial science, data analytics, finance, taxation, governance risks and controls, and also entrepreneurship.

In August, CA Sri Lanka together with the Institute of Certified Management Accountants of Sri Lanka (CMA Sri Lanka) commemorated SAFA Founders' Day under the patronage of Sylvia Tsen who is the Executive Director of Knowledge, Operations and Technology of the International Federation of Accountants (IFAC).

The South Asian Federation of Accountants (SAFA) is an apex body in SAARC and acknowledged IFAC accounting group. It represents some 300,000 accountants in South Asia, positioning it as a strong power block in the accounting community. In terms of numbers, we may be small but our representation and continued contribution to the accountancy profession's development at the regional and global levels are large.

CA Sri Lanka's past president and CMA Sri Lanka President Sri Lanka Sikhamani Prof. Lakshman Watawala was the second president of SAFA. He was instrumental in setting it up in 1984 to serve the profession in South Asia, and uphold its eminence in the world of accountancy.

I'm also delighted to inform you that CA Sri Lanka Council Member Chaaminda Kumarasiri was recently appointed to the IFAC's International Panel on Accountancy Education (IPAE). This is an honour not only for Sri Lanka but all of South Asia.

Women play a critical role in the Sri Lankan economy and are the backbone of many of its most economically important sectors. Despite their progressive nature, the regressive glass ceiling continues to be an obstacle for women leaders moving forward – especially in corporate Sri Lanka.

To address this, CA Sri Lanka recently took the lead by launching the Board Ready Female Members Directory, which aims to break conventional gender barriers and promote more female representation in corporate boardrooms. The directory is also an important initiative aimed at supporting the nation's vision to increase female representation on boards to 30 percent by 2020.

As another remarkable milestone for our profession, CA Sri Lanka inked a mutual recognition agreement with the Institute of Certified Public Accountants in Ireland (CPA

Ireland). Members of the Institute will be able to obtain CPA Ireland membership with minimal effort, which provides them with further global access.

The incumbent Council of CA Sri Lanka believes that it's important to move forward with a progressive mindset instead of being left behind and shackled by traditionalism. With this vision in mind, we embarked on a series of important initiatives with the hope of seeing true change amongst our present and future members, the profession and the country.

Jagath Perera

President

Institute of Chartered Accountants of Sri Lanka





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FCA, BSc(B.Ad)

Committee Member



RAMESH JAYASEKARA

ACA, BCom(Hons), ACIM, ACMA

Committee Member



The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is known to produce a brand of unique and versatile professionals with the ability to steer any business successfully.

CA Sri Lanka has 6,000 members based locally and globally who are known for their professional integrity, exceptional technical and perceptive skills, as well as financial discipline and out-of-the-box thinking – which help them add value to the organisations they serve.

The portfolio of CA Sri Lanka members comprises chairmen, chairpersons partners, managing directors, vice presidents, CEOs and CFOs among other high profile designations who serve top corporates in and outside Sri Lanka.

In its capacity as a national professional accountancy organisation in the country, CA Sri Lanka continuously focusses on enhancing the professional skills of its members, ensuring that they continue to play a significant role in partnering businesses – and thereby contribute to the success of the profession, as well as the public and private sectors, and strengthen the national economy.

CA Sri Lanka has also been identified as a preferred and recognised destination for accountancy education in the country; and as a testament to this, the institute currently has over 40,000 students who are aspiring chartered accountants.

PUBLISHED BY

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REGISTRATION

ISSN 2779-3860

Please send your feedback on the Abacus journal to members@casrilanka.org as your feedback is very important to us.

The New Normal

Tech advancements are set to continue into the distant future with Industry 4.0 transforming the business landscape and disrupting business across the globe.

To remain competitive in this increasingly connected world therefore, Sri Lankan businesses will simply have to embrace these developments and prepare for disruptions as well.

With technology evolving at an exponential pace, functions such as marketing, communications and innovation are likely to be transformed – and this will present both opportunities and threats for individuals and businesses.

It is against this backdrop that the professional community must commit to keep pace with the likes of AI, blockchain and data analytics among other technologies if they are to remain relevant in an ever-changing business environment.

Schemes such as the National Information Technology Conference (NITC) serve as indicators of Sri Lanka's efforts to embrace the digital revolution by deliberating on the latest trends and challenges in the digital era.

But these initiatives cannot merely target profes-

sionals in the IT arena; rather, everyone has a role to play in Sri Lanka's digital transformation to remain competitive on the world stage.

For instance, finance professionals can use their expertise to guide and influence how blockchain is used in the future. They can even help develop new solutions and services to revolutionise the business modus operandi.

Meanwhile, digital media has helped extend the reach of businesses beyond traditional boundaries – including national borders. And it follows that such efforts will not only pave the way for new business models but also drive global change through innovative and transparent technologies.

And there's more. The business community must look to adopt anticipatory mindsets to ensure it is capable of identifying potential disruptions. It must also gain insights and capitalise on opportunities.

A journey of continuous learning and upskilling is therefore, the need of the hour. This journey will demand that businesspeople undertake more creative and cognitive functions, and thus add value.

Economic snapshots

MACRO TRENDS

FOREIGN EXCHANGE RATES	19.07.19	23.08.19	20.09.19
US Dollar	175.68	179.47	180.98
UK Pound	220.40	219.61	226.94
Australian Dollar	124.18	121.30	122.83
Euro	197.86	198.75	200.05
Indian Rupee	2.55	2.50	2.54
Japanese Yen	1.63	1.68	1.68
Singaporean Dollar	129.50	129.47	131.36

GOLD AND OIL FUTURES	19.07.19	23.08.19	20.09.19
Gold price per oz. (US\$)	1425.00	1,526.60	1,516.70
Crude oil prices - average (US\$/barrel)	66.86	59.79	68.42

INTEREST RATES	19.07.19	23.08.19	20.09.19
Prime lending weekly - average (PLR)	10.84	10.82	10.56
Standing deposit facility	7.50	7.00	7.00
Call money weekly average	7.83	7.68	7.44
Sri Lanka Inter Bank Offered Rate (SLIBOR) - 3 months	9.16	8.45	8.42
Sri Lanka Inter Bank Offered Rate (SLIBOR) - 12 months	11.50	10.99	10.59

GOVERNMENT SECURITIES	19.07.19	23.08.19	20.09.19
Treasury bill yield (TBR) - 3 months	8.09	7.84	7.61
Treasury bill yield (TBR) - 12 months	8.54	8.31	8.41
Three-year bonds	10.72	10.72	10.72

PRICE INDICES	Jul 2019	Aug 2019	Sep 2019
Colombo Consumers' Price Index (CCPI) - Headline	130.0	130.1	131.1
Annual average change (%)	4.0	3.8	3.9
Point-to-point change (%)	3.3	3.4	5.0
Colombo Consumers' Price Index (CCPI) - Core	134.6	134.6	135.2
Annual average change (%)	4.8	5.0	5.1
Point-to-point change (%)	5.7	5.6	5.6

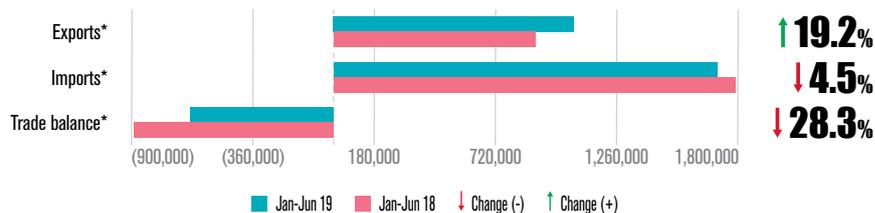
TRADE INDICES	May 2019	Jun 2019	Jul 2019
Export value	133.8	150.9	139.0
Export quantity	166.1	141.0	134.4
Export unit value	80.5	107.0	103.4
Import value	159.6	125.3	153.6
Import quantity	172.9	133.4	165.3
Import unit value	92.3	93.9	92.9

MEDIA SERVICES RESEARCH (CENTRAL BANK OF SRI LANKA)

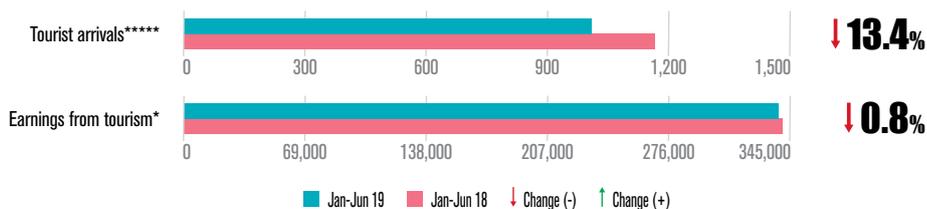
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ECONOMETER

EXTERNAL TRADE



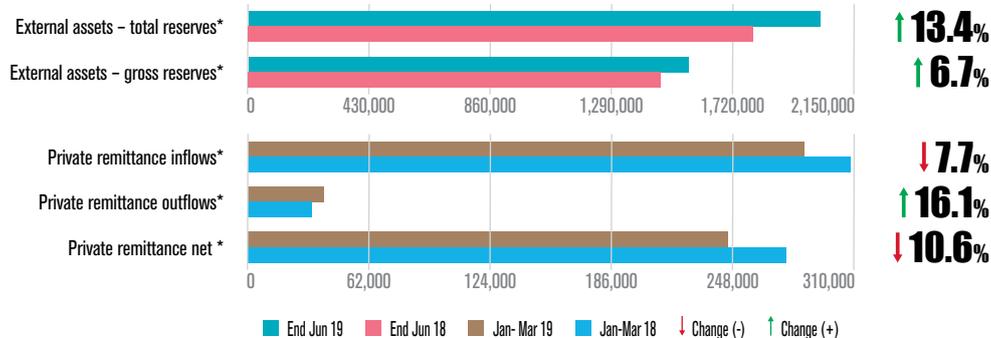
TOURISM



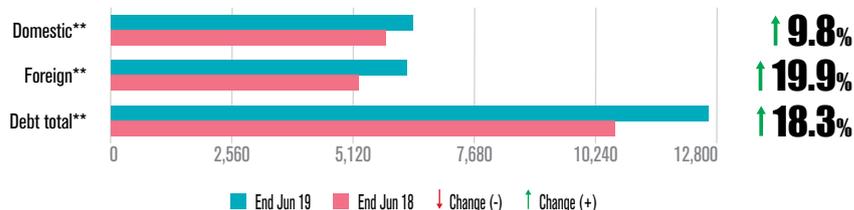
AGRICULTURAL PRODUCTION



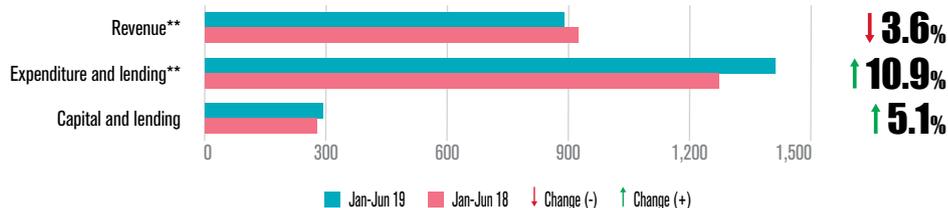
EXTERNAL FINANCE



GOVERNMENT DEBT



GOVERNMENT FINANCE

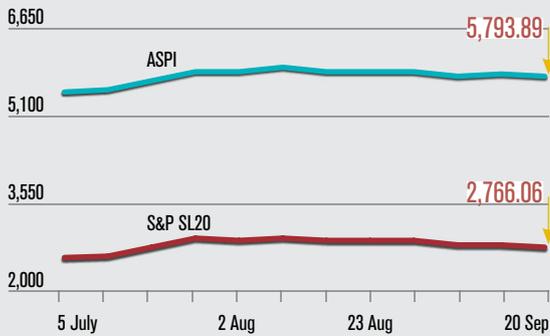


* Rs. million ** Rs. billion *** Million kg **** Million nuts ***** 000s

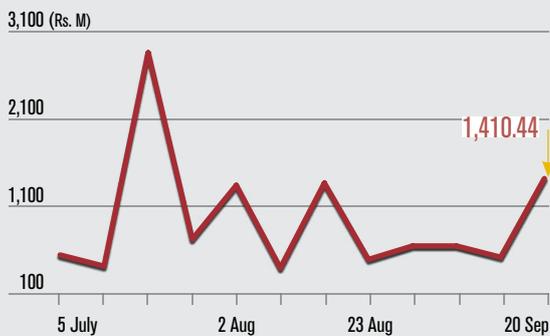
Bourse overview

MARKET INDICATORS

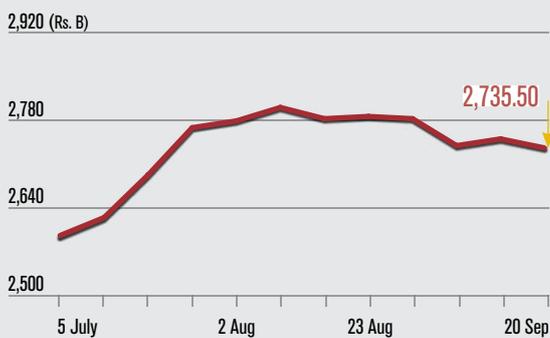
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DAILY TURNOVER (AVERAGE)



MARKET CAPITALISATION



HIGHEST WEEKLY GAINS

WEEK ENDING	COMPANY	VWA* Open (Rs.)	VWA* Close (Rs.)	CHANGE (Rs.)	CHANGE (%)
26-Jul-19	Mackwoods Energy	1.30	2.50	1.20	92
23-Aug-19	SMB Leasing [X]	0.20	0.30	0.10	50
20-Sep-19	Muller and Phipps (Ceylon)	0.60	0.70	0.10	17

* Volume Weighted Average

NEWS HIGHLIGHTS

CIC Holdings and Sunshine Holdings have decided against proceeding with the merger of their healthcare businesses as proposed earlier this year.

LOLC Holdings sold 2.6 billion (62.3%) of its shares in LOLC Finance at Rs. 3.40 a share, to its subsidiary LOLC Private Limited – Singapore for 8.89 billion rupees, to facilitate the internal restructuring of LOLC Finance.

Teejay Lanka entered into an MOU with China's Luen Fung Textiles for the manufacture of lace in India. The partnership is expected to boost Teejay Lanka's portfolio.

Sunshine Holdings announced an agreement with SBI Ven Holdings of Singapore for the subscription of a 30 percent stake in Sunshine Energy – a wholly owned subsidiary of Sunshine Holdings – for Rs. 374.97 million. Sunshine Energy is the renewable energy arm of Sunshine Holdings. It operates three mini-hydro plants with a total capacity of 6.6MW and several



FOREIGN STOCK MARKETS

NASDAQ COMPOSITE



BOMBAY SENSEX



KUALA LUMPUR COMPOSITE



HANG SENG INDEX



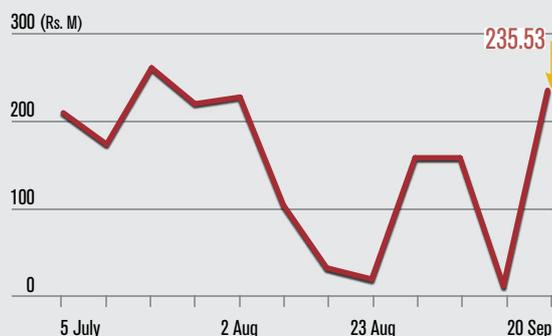
HIGHEST WEEKLY LOSSES

WEEK ENDING	COMPANY	VWA* Open (Rs.)	VWA* Close (Rs.)	CHANGE (Rs.)	CHANGE (%)
26-Jul-19	SMB Leasing [X]	0.30	0.20	-0.10	-33
23-Aug-19	Tess Agro [X]	0.50	0.40	-0.10	-20
20-Sep-19	Tess Agro [X]	0.50	0.40	-0.10	-20

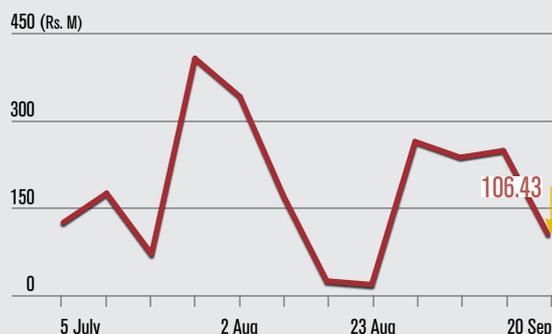
* Volume Weighted Average

MARKET INDICATORS

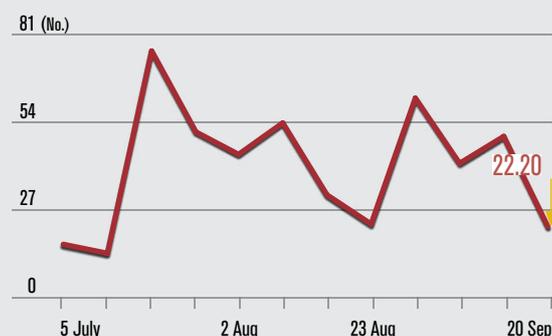
FOREIGN PURCHASES



FOREIGN SALES



SHARE VOLUME

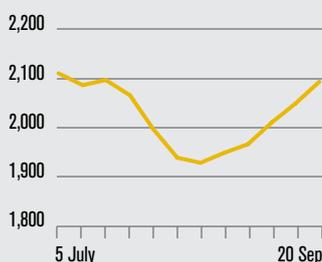


solar power projects. The SBI Group is an internet financial services pioneer, which was founded in Japan. Three years ago, it established the world's first internet based financial ecosystem to undertake a broad range of financial services.

Colombo Fort Land and CM Holdings announced that consequent to the sale of 42 million ordinary shares in KIA Motors (Lanka) for Rs. 714 million, KIA Motors (Lanka) ceases to be a subsidiary of Colombo Fort Land and CM Holdings.

Lanka Ashok Leyland will supply Sri Lanka Transport Board (SLTB) 272 Viking buses and 53 (33 seater) buses on a five year deferred payment basis. The total value of the transaction is 3.69 billion rupees. According to the terms and conditions of this transaction, absolute ownership of the buses will be held with Lanka Ashok Leyland and transferred to SLTB at the end of the five year lease period.

KOSPI COMPOSITE INDEX



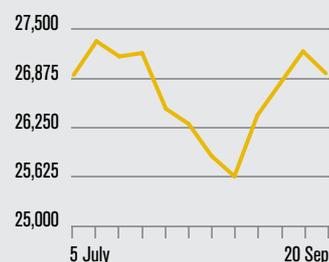
NIKKEI 225



LONDON FTSE 100



DOW JONES INDUSTRIAL AVERAGE



Institute launches e-library with 24/7 access



CA Sri Lanka President Jagath Perera officially launching the Institute's e-library.

CA Sri Lanka's e-library was launched recently to provide chartered accountants, corporate clients and students of the Institute with a range of ebooks, which can be accessed anywhere and at any time from any electronic device.

At the launch of the e-library, CA Sri Lanka's President Jagath Perera emphasised the importance of providing convenient facilities to both professionals and students. Moreover, he stressed the need for professional bodies to stay relevant and launch initiatives that are in sync with ongoing digital transformations.

"As a progressive institute, CA Sri Lanka has always been at the forefront of offering our multiple stakeholders a wide range of services that are modern and technologically savvy. The e-library is one such effort in this continuing endeavour as we compete to stand shoulder to shoulder

with our global counterparts," he stated. The e-Library offers ebooks covering a range of topics including accounting, finance, strategic management, human resources management and organisational management.



Consultant of Student Affairs Ramiah Kirupanathan addressing the event.

Young and senior members gather for motor rally



The Institute's Young Chartered Accountants Forum organised a unique motor rally – Race for Fun – recently with both young and senior members coming together for a day of socialising and networking. The event was hailed as being both exciting and challenging for participants.

CA Sri Lanka's motor rally consisted of

participants driving from the Institute's office in Cinnamon Gardens to their destination – the Barnhouse Studio in Panadura – with directions provided by photographic clues. At the boutique hotel, participants enjoyed both entertainment and lunch, which was followed by an

awards ceremony to commemorate the winners of the rally.

The award for first place was conferred to the team led by Imraz Iqbal while the Colombo Toastmasters Club took second place, followed by the team led by Ruwan Perera.



Certificates awarded for soft skills programmes



Over 100 aspiring chartered accountants were awarded certificates following the successful completion of three unique soft skills programmes.

The speech craft programme, financial report writing workshop series, and resident programme on entrepreneurial and business acumen skills for corporate level students were introduced by CA Sri Lanka with the goal of harnessing participants' personal attributes, and strengthening their

communication, leadership, interpersonal, business and entrepreneurial skills.

Addressing the awards ceremony, President Jagath Perera stressed the importance of the accounting profession remaining relevant and safe in the future: "We must work towards ensuring that we're future ready so that our profession is secure, and will be in the good hands of competent and capable chartered accountants."



Call to incorporate corporate sustainability in curricula



Dr. Ravi Fernando speaking at the event.

The Chairman and CEO of Global Strategic Corporate Sustainability Dr. Ravi Fernando emphasised the need to integrate subjects on corporate sustainability in professional and academic programmes to ensure that future business leaders understand the importance of safeguarding the planet.

Addressing an event organised by the institute, he stated: "Businesses have become bigger than nations – and therefore, we know it is more crucial than ever before for business leaders to understand how to lead from the perspective of sustainable development."

In Fernando's view, sustainability must be embedded into the thought processes and mindsets of future business leaders to



A section of the participants who attended the seminar.

avoid the risk of nurturing leaders whose actions impact Planet Earth negatively.

He also highlighted the negative effects of fossil fuels, remarking that while most countries are moving away from this source of fuel, Sri Lanka plans to construct new coal power and LNG plants.

CA Sri Lanka conducts CSR project at school



CA Sri Lanka President Jagath Perera opening the refurbished library at Galkiriyagama Madya Maha Vidyalaya.

The Institute recently undertook a CSR initiative to upgrade facilities at Galkiriyagama Madya Maha Vidyalaya in the Anuradhapura District.

This project involved refurbishing the school's library with the Institute donating furniture as well as reading materials, such as previous exam papers and reference books for students from Grades 6 to 13.

A 10,000 litre water tank was also constructed with the help of the National Water Supply and Drainage Board to address the students' lack of access to drinking water. Desks, chairs and whiteboards were also donated to classrooms.

The project was celebrated with a three hour event involving the school's teachers, students and their parents. It represents a joint effort between CA Sri Lanka and its affiliates – viz. the Members' Benevolent Society, Young Chartered Accountants Forum, Practicing Chartered

Accountants Forum, Chartered Accountants Students' Society, Staff Welfare Society and overseas chapters.



The newly refurbished library.

Students excel at executive level examination

A pass rate exceeding 55 percent was recorded at the March CA Sri Lanka Executive Level examination, which prepares students to be dynamic corporate leaders. Six students were also awarded merit prizes for excelling at the exam.

Minoli Malsha, Kasun Wickramarathna and Prasadi Gayanga were conferred the first, second and third in order of merit prizes for the Executive Level I exam. Akensha Kaluthantri won the first in order of merit prize for the Executive Level II exam while Sachin Kavinda and Mihiraj Narayana shared second in order of merit.



The Institute's Vice President Manil Jayasinghe presenting a certificate to a student who excelled at the March Executive Level exam in the presence of CEO Dulani Fernando and Director Examination Prasanna Liyanage.

Techno Fair 2019 showcases digital products



A participant inquiring about products exhibited at an IT kiosk.

A diverse range of contemporary and futuristic digital products and services were displayed at Techno Fair 2019, which is positioned as the country's first digital products and services event for businesses and finance partners. The event featured a host of local and international digital products and services – such as AI, blockchain, cloud computing

and data analytics – and experiences offered through kiosks.

The fair also showcased a wide variety of demonstrations focussing on the future of digital finance, analytics for corporate financial planning, empowering sales distribution and marketing with automation, digitalising businesses and scalable cloud ERP solutions.

MOU for international associate membership



CA Sri Lanka President Jagath Perera and Association of International Certified Professional Accountants Director of Global Alliances – Public Accounting Jim Knafo after signing the MOU, with Regional Vice President – Asia Pacific Chartered Institute of Management Accountants Venkkat Ramanan, CA Sri Lanka’s Vice President Manil Jayasinghe, Immediate Past President Lasantha Wickremasinghe and Council Member Sanjaya Bandara.

In a bid to strengthen the standing of its members on the international stage, CA Sri Lanka signed an MOU with the Association of International Certified Professional Accountants (AICPA), a global body of professional accountants that combines the strengths of the American Institute of Certified Public Accountants and Chartered Institute of Management Accountants (CIMA).

This agreement paves the way for the Institute’s members to obtain an AICPA international associate membership. Furthermore, it presents opportunities for both professional bodies to collaborate in the future in areas such as the Continuing Professional Development (CPD) platform and the administration of CPA exams in Sri Lanka.

Role of chartered accountants in tax collection

The role of chartered accountants in ensuring implementation of an effective and efficient tax system was highlighted by Inland Revenue Department (IRD) Commissioner General Nadun Guruge recently.

At an event organised by the Institute to honour Guruge as he assumed duties as the 33rd Commissioner General of the IRD, he noted that political will, clear strategy and adequate resources are also vital ingredients for a country’s tax system to function effectively.

CA Sri Lanka President Jagath Perera called on members of the Institute to support the IRD in its endeavour to collect taxes as they are “connected to businesses and other economic activities, which are what provides revenue to the government.”



CA Sri Lanka President Jagath Perera presenting a memento to Nadun Guruge in the presence of Vice President Manil Jayasinghe and Chairperson of the Faculty of Taxation Sharmila Jayasekara.

CA Sri Lanka launches Curriculum 2020



The first copy of Curriculum 2020 being presented by Curriculum Task Force Chairman Chaaminda Kumarasiri to chief guest Rajendra Theagarajah – Managing Director and CEO of Cargills Bank – in the presence of CA Sri Lanka’s President Jagath Perera.

The Institute recently launched a new curriculum to tackle the ever-changing dynamics of the corporate world, as well as the emergence of digital disruption, big data, automation and robotics. Curriculum 2020 is set to instil business intelligence, IT and leadership skills in chartered accountants in an effort to help revive corporate Sri Lanka.

CA Sri Lanka President Jagath Perera stated that the curriculum was designed not only to fulfil national demands but also serve as a benchmark against global standards.

Salient features of the curriculum include the increased focus on digital technology in addition to the introduction of computer based assessments and the availability of an e-learning platform for students.



The new curriculum of the Institute, which will come into effect next year.



CA Sri Lanka Council Member Chaaminda Kumarasiri.

CA Sri Lanka member appointed to global panel

Council Member Chaaminda Kumarasiri was recently appointed to the International Panel on Accountancy Education (IPAE) of global accounting body International Federation of Accountants (IFAC).

A chartered accountant by profession and fellow member of CA Sri Lanka, Kumarasiri is a leading corporate trainer and renowned management consultant with over 20 years of corporate experience.

He is also the only member from South Asia to serve on the IPAE,

which also includes representatives from Australia, Brazil, Canada, China, France, Germany, Japan, South Korea, Lebanon, Mexico, Nigeria, Romania, Singapore, Trinidad and Tobago, the UK and the US.

The panel is a key initiative in IFAC's approach to advancing accountancy education on a global scale. It provides strategic advice, facilitates access to expertise and resources, and advocates quality education for professional accountants.

CA Sri Lanka launches 55th Annual Report Awards



Head table from left to right: Manil Jayasinghe, Heshana Kuruppu, Ray Abeywardena, Jagath Perera, Rajeeva Bandaranaike (the CSE's CEO), Dulani Fernando and Prasanna Liyanage.



Heshana Kuruppu speaks about the competition.



CA Sri Lanka President Jagath Perera and Annual Report Awards Committee Chairman Heshana Kuruppu unveil the new Annual Report Awards trophy in the presence of Vice President Manil Jayasinghe, CEO Dulani Fernando, Secretary Prasanna Liyanage and the Chairman of the Colombo Stock Exchange (CSE) Ray Abeywardena.

As part of its initiative to recognise the best annual reports produced in the country – and promote transparency, accountability, social responsibility and corporate governance in the corporate sector – CA Sri Lanka is planning to host its 55th Annual Report

Awards. Open to corporates of all sizes, from conglomerates and multinationals to SMEs and NGOs, the President of the Institute notes that the awards ceremony has helped establish an important national benchmark for organisations. Furthermore,

it encourages them to produce annual reports that are in line with globally accepted standards. In addition, a logo and trophy have been designed in a bid to enhance the ceremony's brand recognition, and to develop a unique identity.

MOU to strengthen accounting education in Sri Lanka

CA Sri Lanka and the South Eastern University (SEU) of Sri Lanka recently entered into an MOU to enhance accountancy related education across the island. The agreement will enable the accountancy body and the university's Department of Accountancy and Finance to jointly undertake research in relation to accounting.

The Institute will also offer scholarships to SEU undergraduate students to follow the chartered accountancy programme and also recognise the most outstanding student with a gold medal at the university's annual convocation.

In addition, both CA Sri Lanka and SEU are expected to consult each other when revising the curriculum of the other's course, and introduce changes where necessary to ensure the study programme is in line with local and international standards.



CA Sri Lanka President Jagath Perera exchanging the MOU with South Eastern University Vice Chancellor Prof. M. M. M. Najim in the presence of the Institute's Secretary Prasanna Liyanage, Adviser of Academic Affairs Prof. Dr. Nagalingam Nagendrakumar, Dean of the Faculty of Management and Commerce Dr. S. Gunapalan, Head of the Department of Accounting Prof. A. Jahfer and other officials.

Accountants must take the lead in anti-corruption efforts



State Minister of Finance Eran Wickramaratne speaking at the event.

The role of professional accountants in eradicating bribery and corruption was highlighted at a joint forum organised by CA Sri Lanka and the South Asian Federation of Accountants (SAFA).

CA Sri Lanka President Jagath Perera said that the finance profession can play an important role with the accountancy profession serving as "the catalyst of change." Citing the influential positions of CA Sri Lanka members in both the

public and private sectors, he also pointed out that bribery and corruption must be eradicated from the top for others to fall into line.



A section of participants at the forum including accountants from other South Asian countries.

Spotlight on IT security and forensic accounting



Jagath Perera awarding a certificate to a student who completed the forensic accounting programme.



Dulani Fernando awarding a diploma certificate to a student who completed the DISSCA programme.

As the threats posed by corruption, fraud and cybercrimes continue to grow, CA Sri Lanka looks to strengthen the skills of professional accountants and accountancy students, to address such risks.

Its Diploma in Information Systems Security Control & Audit (DISSCA) and Certificate Course in Forensic Accounting is aimed at inculcating specialised skills among professional accountants.

DISSCA is conducted in conjunction with the Institute of Chartered Accountants of India (ICAI), and CA Sri Lanka believes that hundreds of professionals from a variety of fields have enhanced their expertise – they include managers, supervisors of audit firms, internal auditors, accountants and financial controllers.

As the forensic accounting programme covers areas related to modern forensic and investigative accounting techniques, the course is sought after by chartered accountants and other professional accountants. Their objective is to understand the principles and practices used to examine financial and related information.

Transforming accountants



Earn CPD hours for this article by visiting the CPD Online Academy on <http://ims.casrilanka.com/moodle/course/index.php?categoryid=5>



"While fears may surround the future of their jobs, professional accountants will be relieved to know that technology is meant to take on the more time consuming jobs"

MEDIA SERVICES PHOTOFILE (THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA)

Tech Integration

Sylvia Tsen unearths the impact of technology on accounting

Q: The global economic landscape is changing rapidly with the likes of AI, blockchain, cybersecurity and data (ABCD). How is the accounting profession adapting to these dynamic changes?

A: Based on the results of an International Federation of Accountants (IFAC) global survey of over 6,000 small and medium size practices (SMPs) last year, practitioners are increasingly investing in technology, and recognising its potential to work more effectively with clients, and deliver advisory and assurance services.

The survey reveals that 38 percent of respondents view technology as a significant challenge whereas on a more positive note, they're not letting this hinder their progress. As such, 28 percent say they plan to spend more than 10 percent of their firm's revenue on technological investments.

Interestingly, when SMPs were asked how they plan to spend this investment, their focus was on human talent, software and networks. Providing opportunities for young professional accountants to become tech savvy is key to success, and 37 percent say they'd focus on developing in-house skills and expertise.

During this time of rapid change, some firms may hire non-accountants to diversify the internal talent pool while training current SMP technical staff on advanced data analytics and visualisation tools.

Nearly a third of the sample population also plan to adopt cloud options to interface with client data while 29 percent opt to use data to garner more business insights. Furthermore, the option to use technology to expand their global reach was selected by 29 percent of respondents.

While all SMPs face the challenges of possessing fewer in-house resources, it is exciting to witness the community adopting technology in their work.

Blockchain and AI are advanced and complex, and the majority of companies aren't yet using such technologies directly in their business models.

However, for all professional accountants, it is essential to understand the potential of blockchain, AI and robotics. This is because when

they're more readily available and affordable, they have the potential to deliver efficiencies and reliability to financial processes. Presently, investing in retraining staff to use data analytics and cloud technology is the way forward.

Embracing new technologies and service delivery methods also calls for professionals to change their mindsets. It is mandatory that accountants put 'change' on their agenda and make an intentional decision to think about other possibilities especially in the realm of technology adaptation.

Q: Which macroeconomic trends has IFAC identified – and how do they impact the role and skills of professional accountants in business (PAIBs)?

A: When it comes to accountants in business – be it corporates, family businesses, the public sector, universities and so on – the same survey notes the concerns of PAIBs in relation to tech trends albeit through the lens of smaller businesses.

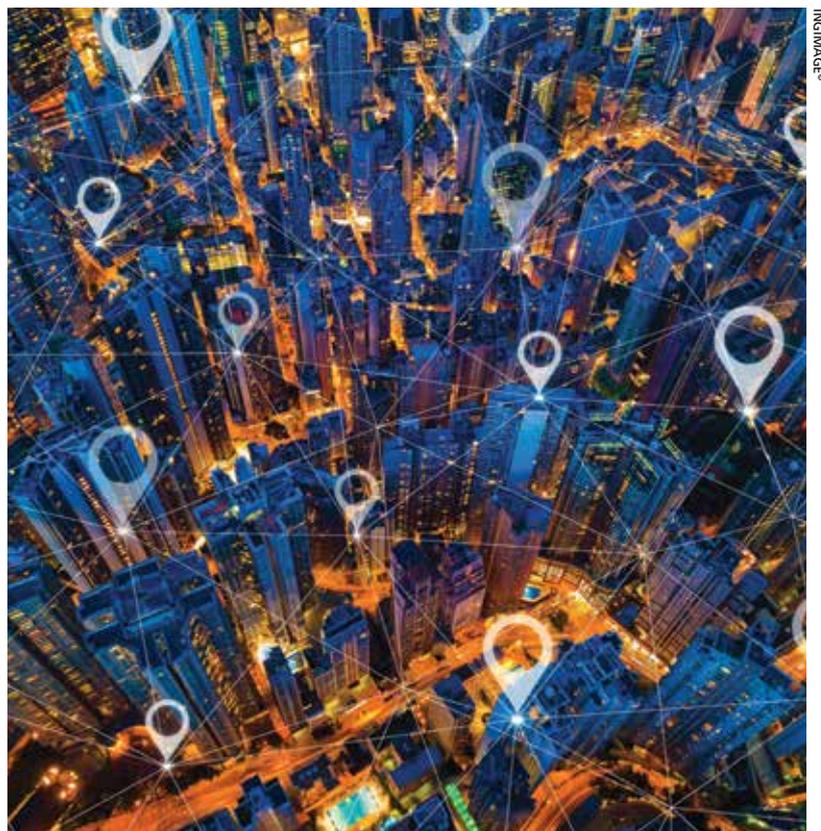
The 2018 IFAC Global SMP survey revealed that 78 percent of respond-

ents anticipate new technologies impacting traditional finance roles, which includes 68 percent expecting a need to increasingly use data when taking strategic decisions.

While fears may surround the future of their jobs, professional accountants will be relieved to know that technology is meant to take on the more time consuming jobs, thereby freeing them to undertake more complex and strategic tasks relating to their businesses or firms.

By acquiring deeper analysis skills, and finance and accounting expertise, and with knowledge of where their businesses are headed, finance managers and CFOs are in a prime position to be internal partners and leaders of driving business growth. Moreover, the scope of PAIBs' responsibilities are expanding from a strictly financial role to overseeing compliance, new standards and business sustainability.

In addition, I encourage the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) to explore teaching ethics in the context of case studies and expose students to potentially real life scenarios.



INGIMAGE

Through such a learning environment, professional accountants will better understand the types of ethical dilemmas that may arise – and it will build their confidence to address potential conflicts, breaches of independence or other ethical issues during their professional careers.

It is essential that professional accountants stand for ethics so that investors, consumers, governments and other public sectors can place their trust in and rely on their work.

"Professional accountants need to assert their confidence, learn more about cybercrime and apply their knowledge to assist with risk assessments – this will help clients safeguard their assets"

Q: What are the opportunities and risks concerning new technology that professional accountants should pay attention to?

A: While many consumers believe that cybercrime is limited to being an IT issue, we need to realise that it has escalated into a business issue.

As more economies become service oriented – and the profession itself revolves around knowledge – most of our assets are embedded in data and computer systems, which we call ‘intellectual property.’

As such, when participants were asked about technology related trends and challenges in the next five years, 73 percent were concerned about cyber risks.

Accountants have at least two reasons to pay more attention to cybercrime threats and take appropriate action. The first is that any loss of data from their intellectual property is much like a thief stealing their physical inventory. The second is to protect their role as the stewards and safeguard assets by virtue of their understanding of asset protection.

Professional accountants need to assert their confidence, learn more about cybercrime and apply their knowledge to assist with risk assessments – this will help clients safeguard their assets.

Q: How would you describe the jobs landscape for aspiring professional accountants?

A: Like any business or profession,



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accountancy also desires the best people – i.e. the most qualified person who matches its niche.

In the global SMP survey, 54 percent of respondents said they were having difficulty attracting talent while 66 percent explained that the difficulty was in finding people with the right skills mix.

Fifty-seven percent of SMPs say they're forgoing opportunities because of competition from others. This indicates that while young accountants are interested in working for firms, there is a shortage. This is reflected in 44 percent of SMP respondents expressing an interest in other fields. And 41 percent are concerned about not enjoying a work-life balance.

We need to bear in mind that rewards come in many ways. Employers should consider new practices to attract young employees and retain them in their early stages of management.

"It is essential that professional accountants stand for ethics so that investors, consumers, governments and other public sectors can place their trust in and rely on their work"

To address these issues, accountancy and audit firms are increasingly providing flexible work arrangements and leveraging technology to support virtual workspaces, as well as offering increased access to training and new projects – and they in turn enable professional accountants to acquire new skills and learn more about the businesses or firms they work for.

Q: And finally, what encouragement would you like to leave PAIBs with?

A: If PAIBs learn about the core foundational skills of understanding a business, its processes and how to communicate complex issues, they will find a plethora of careers to enter

and succeed in the accountancy profession.

Many top executives and directors started small but challenged themselves to grow. I encourage anyone who is aspiring to grow in his or her career to step out of their comfort zones and seek opportunities in their departments, or other areas of the organisation where accounting and finance knowledge can contribute to business growth.

The interviewee is the Executive Director of Knowledge, Technology and Operations of the International Federation of Accountants. She was interviewed by Lashani Ramanayake.



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ASIA POWER INDEX SOUTH ASIA

COUNTRY	RANK
India	4
Pakistan	15
Bangladesh	18
Sri Lanka	21
Nepal	25

MEDIA SERVICES RESEARCH (LOWY INSTITUTE)

Economic freedom declines

Sri Lanka is ranked 21st of 25 countries and territories in the Lowy Institute Asia Power Index. The index covers 126 indicators across eight thematic measures of power to assess nations' ability to influence the behaviour of others. In the case of Sri Lanka, it is considered a 'minor power' in Asia with a score of 8.5 from a maximum of 100.

In terms of key indicators, the island's diplomatic influence improved in the last year, which according to the institute is the result of "having reached an 86 percent voting alignment with other regional countries in UN resolutions adopted in 2018." Compared to South Asian countries such as Bangladesh and Nepal, Sri Lanka performed

well for its resilience and military capability, while trailing behind India and Pakistan for economic resources and diplomatic influence. Of the economies represented in the index, China and India are the country's most important regional trade partners while also serving as its most important foreign investors.

Measuring digital markets



INGIMAGE

significant markets for digital businesses worldwide," measuring countries across 236 variables with scores based on digital platforms and foundational factors. The US and UK are considered top performers with strengths such as market sophistication, supply and institutional boosters for the digital economy, and accessibility of data. In contrast, China is ranked 39th and highlighted as an outlier because of its poor ranking in the index despite being identified as the fastest moving digital economy on HBR's Digital Evolution Index. The magazine notes that this is because the country is a "challenging market for new and international business builders because of multiple government restrictions."

The US is ranked first of 42 countries in Harvard Business Review's (HBR) Ease of Doing Digital Business. Positioned as a complementary index to the World Bank's ease of doing business index, HBR's equivalent looks to rank "the most

Decline in competitiveness

Sri Lanka slipped 13 positions to rank 77th of 140 economies in the World Economic Forum's (WEF) Travel & Tourism Competitiveness Index 2019. The index measures factors and policies across 14 pillars that enable sustainable development of the

tourism industry, which contributes to national progress and competitiveness. Sri Lanka's score of 3.7 reflects a decline of 2.3 percent and is 3.2 percent below the global average. Furthermore, it is the only country

in South Asia to witness a decrease in competitiveness as a result of a deterioration in the business environment, international openness and natural resources. WEF notes that increased visa requirements undermined Sri Lanka's openness while natural area protection data displayed a lower percentage of territorial coverage, impacting the natural advantage. The island's highest scores are for safety and security, price competitiveness, and health and hygiene. In the meantime, Sri Lanka's worst score is in the cultural resources and business travel category.



INGIMAGE

Startup growth restricted



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The Sri Lanka Association of Software and Service Companies (SLASSCOM) highlights red tape as a major obstacle in the startup ecosystem, which can lead to an uneven playing field if business owners do not have contacts in high places. It observes a lack of cohesion in startup programmes, regulatory barriers and a risk averse investor mindset as additional barriers that startups must contend with. Encouraging initiatives include the Information and Communication Technology Agency's (ICTA) programmes geared to promote entrepreneurship among students as well as growth in the country's coworking space. To address barriers to entrepreneurship, SLASSCOM recommends establishing a single destination website to facilitate the process of entering into a new venture, as well as government support to ensure that Sri Lanka's ecosystem is startup friendly. Moreover, skill focussed programmes are suggested to nurture the skills of founders – they include programmes targeting individuals with more corporate experience rather than recent university graduates.

Resource scarcity challenges

The World Resources Institute's (WRI) National Water Stress Rankings places Sri Lanka at 77th of 164 countries. The index combines 13 water risk indicators including quantity, quality and reputational risks, granting Sri Lanka an overall score of 1.7 and placing it in the low-medium baseline water stress category. However, Jaffna is categorised as having medium-high water stress with a score of 2.4 compared to 1.7 observed across other parts of the island. According

to WRI, communities in countries with low overall stress could also experience extremely distressing conditions. In the case of Sri Lanka, the risk of drought is high in Colombo and Gampaha but low-medium in Kilinochchi. And the riverine flood risk is extremely high in Kilinochchi and Ampara, and low in Badulla and Matala. In South Asia, India and Pakistan are in the extremely-high stress category with scores exceeding four, while Bhutan is the least stressed with a score of zero.

MEDIA SERVICES RESEARCH (WORLD RESOURCES INSTITUTE)

NATIONAL WATER STRESS RANKING SOUTH ASIA (2019)

COUNTRY	RANK
India	13
Pakistan	14
Afghanistan	27
Nepal	40
Sri Lanka	77
Bangladesh	128
Bhutan	158

Decline in revenue

The contribution of Sri Lanka's state owned enterprises (SOE) to GDP amounted to 13.3 percent last year, according to the Department of Public Enterprises. These SOEs represent strategic sectors such as energy, water, ports, banking and insurance, transportation, aviation and construction. The department notes that 54 out of 422 SOEs have been identified as strategically important state owned business enterprises (SOBE) that play a catalytic role in driving the growth of Sri Lanka's economy. The revenue generated by these strategic units amounted to Rs. 1.9 trillion in 2018 of which 37 entities recorded an aggregate net profit of 130.7 billion rupees while 16 reported a cumulative net loss of Rs. 156.7 billion. In total, the SOBEs recorded a loss of 26 billion rupees last year. Meanwhile, their total asset base stood at Rs. 8.2 trillion on 31 December 2018, reflecting a 10 percent appreciation from 7.4 trillion rupees in the preceding year.

Grant to build resilience



INGIMAGE

The Government of Sri Lanka, World Food Programme (WFP) and Korea International Cooperation Agency (KOICA) have launched a US\$ 6 million project geared to build resilience in communities to withstand the impacts

of natural disasters. WFP Country Director Brenda Barton states: "The damages caused by the current dry spell, and preceding years of cycles of floods and droughts, clearly demonstrate the need to build capacities of rural farming families against climate shocks." Furthermore, KOICA Country Director in Sri Lanka Kang Youn Hwa notes that while the nation's status was upgraded to that of an upper-middle-income economy, "KOICA shares the same concern with the Sri Lankan government regarding the small pockets of poverty still present in the island." The three year project's activities will cover areas such as building household water harvesting and storage facilities, and developing youth skills in agriculture.

INGIMAGE



AML/CFT scheme strengthened



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As part of its efforts to strengthen the nation's anti-money laundering and countering the financing of terrorism (AML/CFT) framework, the Financial Intelligence Unit (FIU) of Sri Lanka recently entered into MOUs with the Condominium Management Authority and the National Gem and Jewellery Authority, in line with the

Financial Transactions Reporting Act. The goal of the act is to combat money laundering, terrorism financing and financial crimes, which may threaten the economy and financial system locally, as well as globally. In addition to defining the support expected from the FIU in ensuring effective implementation of the AML/CFT framework, the MOUs outline the process for providing information. This includes ensuring that legal obligations are met by real estate agents (including condominium developers), and licensed gem and jewellery dealers. The FIU has also entered into MOUs with 39 foreign counterparts and eight domestic government agencies to strengthen the AML/CFT framework.

IT workforce expansion



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Sri Lanka's IT workforce grew by 50.7 between 2014 and 2018, according to the Information and Communication Technology Agency (ICTA) of Sri Lanka. In addition, it is expected to increase further from 124,873 in 2018 to 146,089 this year. The National IT-BPM Workforce Survey 2019 reveals that the composition of the nation's IT workforce has changed since 2014

with females accounting for 34 percent (an increase from 29% in 2013). At the same time, the quality of the workforce has also improved since the previous survey with the share of employees with bachelor's degrees increasing from 63 percent in 2013 to as high as 85 percent last year. The demand for graduates has also risen from 6,246 in 2014 to 21,216 this year although demand exceeds supply by a margin of 12,140. According to ICTA, this margin may increase if postgraduate trainees who are considered to be part of the current workforce are accounted for.

Most businesses in retail

The Annual Survey of Trade and Services report reveals that the number of private small, medium and large enterprises engaged in services and trade exceeded 50,000 in 2016. And of these, almost 60 percent were engaged in the services sector while the remainder were involved in trade activities. According to the Department of Census and Statistics, a majority (41.9%) of these establishments were engaged in wholesale and retail trade. Furthermore, 924,771 people were part of these sectors

with 71.6 in the services sector and the remainder in trade. The IT segment reported the highest average salary of Rs. 1.5 million, output of 9.7 million rupees and value added of Rs. 5 million per person. Of all the economic sectors surveyed, real estate reported the lowest engagement of 3,424 people during the period. When it comes to gender composition, 74.4 percent of people employed in trade are male while female participation in the services sector amounts to 36.2 percent.

ESTABLISHMENTS ENGAGED IN TRADE AND SERVICES – TOP FIVE SECTORS (2016)

SECTOR	NO.
Wholesale and retail trade; repair of motor vehicles and motorcycles	21,753
Education	11,386
Accommodation and food services	5,809
Other services	4,613
Transportation and storage	2,857

MEDIA SERVICES RESEARCH (DEPARTMENT OF CENSUS AND STATISTICS)

Call for additional reforms



The decision to open hearings of the Committee on Public Enterprises (COPE) to the media – with the intention of promoting transparency and the accountability of state owned enterprises (SOE) – has been welcomed by Advocata Institute. Earlier this year, the policy think tank recommended the move in its report ‘The State of State Enterprises: Systemic Misgovernance’ to improve the transparency of public institutions’ fiscal management and hold state institutions accountable. Advocata Institute’s Chief Operating Officer Dhananath Fernando notes that SOEs are “a vehicle of large scale corruption in Sri Lanka that hasn’t caught public attention.” The think tank also urges further reforms to address structural failures and poor governance “that promote a breeding ground for corruption in Sri Lanka’s state sector.” It advocates the opening of committee proceedings to non-parliamentarians such as technical experts in an effort to introduce “industry knowledge and scrutiny.”

Trade deficit narrows



Sri Lanka’s external sector strengthened in June with the trade deficit narrowing to US\$ 316 million, which the Central Bank of Sri Lanka (CBSL) notes is the lowest since October 2010. This is attributed to a year on year decline in import expenditure of 23.1 percent and an increase in export earnings

of 5.8 percent. In the first six months of 2019, the trade deficit contracted by US\$ 2.1 billion to 3.6 billion dollars. The terms of trade improved by 3.6 percent year on year as export prices fell at a slower pace than the decline in import prices. Overall, there was a deterioration of 1.5 percent during the first six months compared to the corresponding period in 2018. Meanwhile, the export volumes index rose by 6.4 percent year on year in June and the export unit value index declined by 0.6 percent – according to CBSL, this indicates that “the growth in exports was entirely driven by increased volumes when compared to June 2018.”

Growth in global market cap

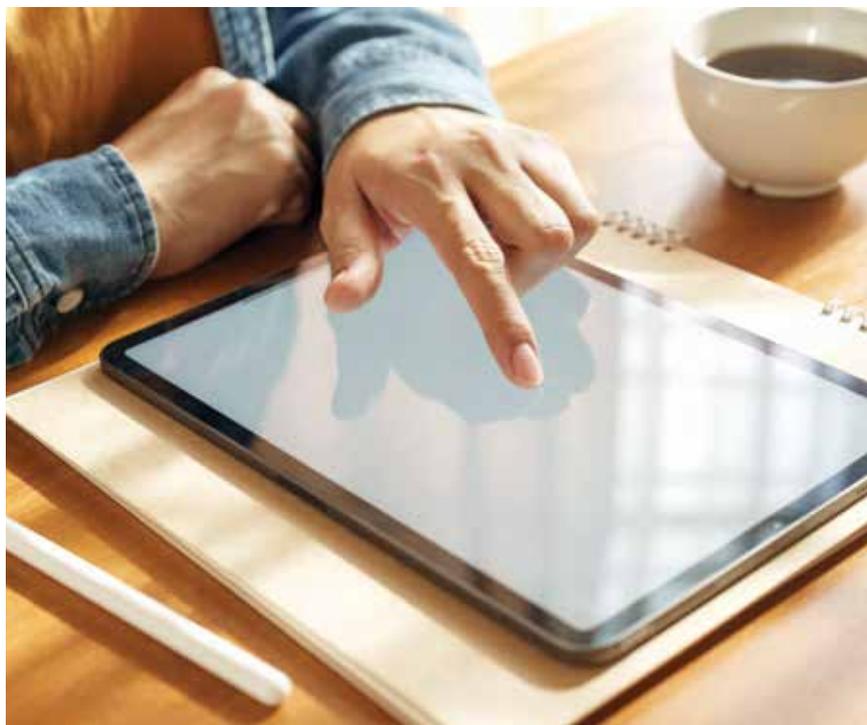
The market capitalisation of PricewaterhouseCoopers’ (PwC) Global Top 100 increased by five percent to US\$ 21.1 trillion for financial year 2018/19 – a decline from the growth rate of 15 percent recorded in 2017/18. Microsoft took the No. 1 position with a capitalisation of 905 billion dollars while Apple slipped to second place after eight years, recording a market cap of US\$ 896 billion. The top 100 is dominated by the US with 54 corporates appearing on the list while China is the second largest contributor with 15 companies.

The tech industry boasts the largest representation with a market capitalisation of 5.7 trillion dollars and a reported growth of six percent compared to the preceding financial year. On the contrary, the financial services industry is cited as the worst performer as a result of a three percent erosion in capitalisation. Meanwhile, PwC notes that the market capitalisation of the largest company has nearly tripled in the last decade from US\$ 337 billion (reported by ExxonMobil) to the 905 billion dollars recorded by Microsoft.

GLOBAL COMPANIES BY MARKET CAPITALISATION TOP 10 (2018/19)

COMPANY	RANK
Microsoft	1
Apple	2
Amazon.com	3
Alphabet	4
Berkshire Hathaway	5
Facebook	6
Alibaba Group	7
Tencent Holdings	8
Johnson & Johnson	9
ExxonMobil	10

Poor RTI awareness



While Sri Lanka's Right to Information (RTI) Act is regarded as being among the most effective in the world, Transparency International Sri Lanka (TISL) points out that major challenges exist in relation to implementation of the legislation to ensure that it serves its intended purpose. Issues identified by TISL include a general lack of awareness of the act, the need for proactive disclosure at all administrative levels and inefficiency caused by slow digitisation. Moreover, TISL notes that the assessment highlighted an issue related to the "voluntary segregation of communities and lack of ethnic representation in all administrative levels." Its recommendations involve providing training for officers across sectors in government institutions in all administrative levels, awareness raising programmes on RTI requests and citizens' rights, and conducting annual assessments of RTI implementation. TISL also recommends adapting the international tool used in its assessment to the local context so that the country's status quo could be assessed in a more meaningful way to guide implementation of the act.

Leading importer nation

LEADING IMPORTERS IN WORLD MERCHANDISE TRADE SOUTH ASIA (2018)

COUNTRY	RANK
India	7
Bangladesh	30
Pakistan	31
Sri Lanka	50

MEDIA SERVICES RESEARCH (MSR)

Sri Lanka is ranked 50th in terms of world merchandise trade imports, which were estimated at US\$ 22.5 billion last year, according to the WTO's World Trade Statistical Review 2019. Representing 0.1 percent of merchandise imports, this marks a hike of seven percent compared to the previous year. In addition, the country's merchandise exports amounted to 11.9 billion dollars while exports of commercial services were US\$ 8.4 billion. Globally, the US is ranked first in imports with

a share of 16.6 percent amounting to 2.6 trillion dollars while China led the exports category with a share of 16.2 percent of trade estimated at US\$ 2.5 trillion. In South Asia, India emerged as the largest importer with incoming goods estimated at 511 billion dollars – it accounted for three percent of global imports. Overall, WTO notes that Asia was the main contributor to the increase in global imports and that developing countries held a 44 percent share of merchandise trade in 2018.

Subdued second quarter growth

Sri Lanka's economy recorded a growth rate of 1.6 percent during the second quarter of the year, which the Department of Census and Statistics (DCS) says is a reflection of the impact of the 21 April terrorist attacks. As for the contribution of major sectors of the economy, agriculture, industry, services and taxes weighed in with 7.4 percent, 25.8 percent, 59.5 percent and 7.4 percent respectively. Services expanded by 1.6 percent compared to 4.8 percent in the corresponding period of the previous year – according to DCS, the sector recorded the lowest second

quarter growth rate since 2010. Its growth was underpinned by IT programming consultancy and related activities (12%), as well as financial services (8.1%), telecommunications (7.4%) and insurance, reinsurance and pension funding (6.7%). In contrast, wholesale and retail trade contracted by 1.3 percent, while accommodation, food and beverage activities declined by 9.9 percent. Meanwhile, agriculture and industry activities expanded by one percent and 1.4 percent respectively.

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MEDIA SERVICES PHOTOFILE (PRISHAN PANDITHAGE)

**In our digital age,
there are no islands
anymore. The world
is globally connected**



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Driving Sri Lanka's digital transformation

Dr. Rainer Deutschmann looks forward to witnessing Sri Lanka's metamorphosis as a country in which business growth is propelled by the advent of digital technology

Dr. Rainer Deutschmann has designed, built and run telecommunication and digital businesses for the last 20 years in mature and emerging markets. His experience spans startups and large public multinationals, in senior executive, CxO and non-executive board roles.

At McKinsey and Company, Deutschmann helped clients embrace digital technologies, while at Deutsche Telekom he built and led its core product portfolio across European markets. As Chief Product and Innovation Officer at Reliance Jio in India, he was responsible for setting up Jio's business units and leading the commercial launch programme to acquire the initial 100 million customers in 170 days, soon to become the world's largest data network and India's leading digital services provider.

Currently, as Group Chief Operating Officer, Deutschmann is responsible for Dialog Axiata's businesses, corporate strategy, and mergers and acquisitions – and driving the digital transformation of Sri Lanka's leading telco, pay TV and digital services player into an analytics and data driven agile company.

He also serves as an adviser to analytics, fintech and blockchain companies and as a non-executive director at rain, South Africa's digital telco.

In this exclusive interview, Deutschmann shares his views on the transformative power of digital technology and its potential for Sri Lanka. He defies the notion of emerging versus developed markets and calls on leaders to close the emerging 'digital divide' in society. In his opinion, every successful company in the future will be data driven and therefore, a large-scale upliftment is required, covering public and private sectors – from education, legislation and regulation, to investments, agile ways of working, and innovation adoption.

ICT READINESS FOR FINTECH REVOLUTION SRI LANKA

2.5 million
Fixed telephone
subscriptions (2018)

24.4 million
Mobile phone
subscriptions (2018)

1.5 million
Fixed broadband
subscriptions (2018)

5.7 million
Mobile broadband
subscriptions (2018)

10.5%
Share of households with desktop
computers (first half of 2018)

22.9%
Share of households with
desktop or laptop computers
(first half of 2018)

25.5%
Distribution of household population
between the ages of five and 69
who use the internet and email
(first half of 2018)

27.5%
Computer literacy rate
(first half of 2018)

40.3%
Digital literacy rate
(first half of 2018)

How would you assess the pace of Sri Lanka's adoption of new technologies in comparison to the rest of the world?

In our digital age, there are no islands anymore. The world is globally connected. Cloud and 'softwarisation' have removed entry hurdles and democratised access to digital technologies, fuelling the virtuous cycle of test – improve – scale.

While local startups and some enterprises already embrace digital opportunities, I see the risk of a 'digital divide' – separating digital adopters who are moving at an ever-accelerating pace and the rest being left behind. To close this digital divide is one great challenge of our time.

As a country, we have an excellent digital infrastructure foundation – high-speed broadband access, first 4G and 5G demonstrations in the region, national cloud data centres and strong international bandwidth to connect to any global service. This infrastructure is provided at some of the lowest prices in the world. For example, our mobile data cost per gigabyte (GB) is seventh lowest out of 230 countries globally. We must ensure we do not lose out on further technology waves such as commercial 5G and fixed mobile integrated networks.

However, adoption of this excellent infrastructure is too low. Sri Lanka has less than 60 percent smartphone penetration, half the data usage per user of India and most enterprises still use on premise computing infrastructure. This low digital adoption cripples the wider use of higher level technologies such as software as a service, artificial intelligence, IoT and industrial automation.

Timely and widespread adoption of digital technologies across society and industry sectors are prerequisites to achieving much higher productivity and exports, regional innovation leadership and wealth. This in turn will draw local and international talent, fuelling the virtuous cycle of test – improve – scale.

There is not a single industry that is immune to disruption. There is not a single company that can lean back and just continue business as usual



MEDIA SERVICES PHOTOFILE (PRISHAN PANDITHAGE)

TIPS FOR YOUNG CHARTERED ACCOUNTANTS

Be curious, take risks and try new things

Keep learning - go deep and beyond the superficial

Work with great people from whom you can learn

Based on your experience in the adoption of new technologies in developed markets, which strategies can corporates use to overcome challenges in emerging markets?

Having had the chance to live and work in very different countries and cultures, I disagree with the implicit qualification of developed versus developing markets.

Scarcity invokes creativity and leapfrogging to new solutions. Mobile first instead of landline, cloud instead of expensive servers, digital transactions instead of cash, renewable instead of fossil energy, circular instead of linear manufacturing, IoT automation instead of manual processes.

We are living in times of digital abundance where connectivity, computing and information are exponentially decreasing in cost. Adoption becomes a matter of investing intellectual capacity rather than capex. Every enterprise can start small, then learn and scale fast.

Practically, a good start can be to set up one agile project team to launch one innovation project, to digitise one business process or to move one application workload to the cloud. Then take the learning and scale across the company.

Telecom operators enjoy an advantage with technological innovation and dissemination in the market and are experiencing a transformation with this edge. Could you elaborate on this?

Amongst all industries, mobile service providers have the closest proximity to customers, literally around the clock. We all rely on calling, messaging and using the internet at all times, we reload our balance every other day, add data, value added services or pay our e-bills in real time – resulting in millions of transactions every day.

The most successful service providers constantly learn from all this information to continuously improve customer service, lower error rates and costs to serve – thus, winning more happy customers, learning more and improving further.

This virtuous cycle of learning, improving and winning more customers applies to all industries – but it requires a radical focus on the customer and use of customer insights for which digital technologies present most powerful opportunities.

With faster connectivity such as 5G – which supports developments such as AI, big data, IoT, cloud connectivity and so on – which industries do you see being disrupted in the coming years?

There is not a single industry that is immune to disruption. There is not a single company that can lean back and just continue business as usual.

A disruptive innovation – as first defined and analysed by Clayton Christensen – creates a new market and eventually disrupts an existing market, often with a new business model, displacing market leading firms. Drivers are typically outsiders who leverage disruptive technologies,

catering to new customer segments while existing market leaders are stuck at best with incremental innovations catering to their existing customers – the ‘innovator’s dilemma.’

Photography, music, movies and publishing have already been redefined. Retail, transportation, education, hospitality, healthcare and manufacturing are undergoing massive transformations.

In the Sri Lankan and regional context especially interesting are banking and insurance, where connectivity, big data analytics and digital technology can unlock completely new markets. Low income and thus currently massively underserved customers can, for the first time, obtain a micro loan, payday loan, medical insurance or build a wealth portfolio even with limited funds.

The prerequisite to serve such new customer segments is a dramatically lower cost per transaction, which is perfectly enabled by digital technology and automation. The public regulator assumes a critical role in facilitating this digital transformation.

What is your take on the Central Bank of Sri Lanka’s proposed fintech regulatory sandbox? And what should the objective of such an initiative be?

For the sector to evolve quickly and to stay competitive on a global level, we need a solid regulatory framework that is aligned with the opportunities of digital financial services. We can fast track and learn from the most advanced markets such as Europe and Singapore.

Most recently, the Payment Services Directive 2 (PSD2) came into effect in Europe after years of preparation; the UK flavour is called the Open Banking Initiative. Both aim to strengthen competition and facilitate innovation by opening and standardising payment and customer account services and data through APIs.

New (regulated) entrants can thus – with customer’s permission – provide additional financial services such as aggregating across all customer accounts and providing AI driven wealth management recommendations.

Financial inclusion and fintech innovation in Sri Lanka will benefit from such openness dramatically, which will be far beyond a ‘sandbox.’ Ideamart.lk is a successful example of a Sri Lankan open API platform, which has attracted more than 10,000 developers already, benefits millions of users and is even being exported to the wider region. As said earlier, we have an outstanding digital infrastructure in Sri Lanka; it’s about unleashing it.

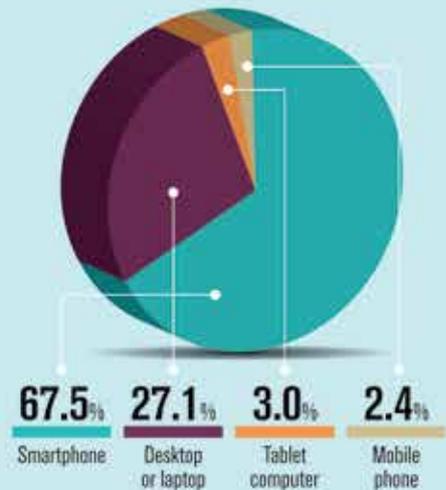


INGIMAGE

Timely and widespread adoption of digital technologies across society and industry sectors are prerequisites to achieving much higher productivity and exports, regional innovation leadership and wealth

CONNECTIVITY

DISTRIBUTION OF DEVICES USED TO CONNECT TO THE INTERNET AND FOR EMAIL SERVICES (FIRST HALF OF 2018)



ICT WORKFORCE



MEDIA SERVICES RESEARCH | DEPARTMENT OF CENSUS AND STATISTICS | INFORMATION AND COMMUNICATION TECHNOLOGY AGENCY OF SRI LANKA

While financial inclusion has been cited as a potential benefit of fintech, the sector has experienced limited growth with mobile money and payment services being among the few innovations to gain traction locally. What are the barriers to growth?

Sri Lanka indeed has an outstanding track record in mobile money and payment services, supported by the enabling regulation provisioned by the Central Bank.

As a good example, eZ Cash was launched as early as 2012, became the world's first interoperable mobile money service, received the award for the best mobile money service at the Global Mobile Awards in 2015, and is now being used by millions of subscribers and transforming tens of thousands of retailers into digital 'online-offline' merchants.

However, fintech is far beyond payments and we need to open all financial services to every Sri Lankan – savings to earn interest even for small funds, micro lending for a new smartphone, payday loans to bridge a few days, wealth management to secure a happy retirement.

And in order to do so, dramatically lower costs to serve are required so customers don't pay

for overheads but a genuine service. Therefore, regulation should consider a ‘proportionality’ principle.

Expensive requirements such as the need for a physical branch network or the physical presence and signature of a new customer must be adapted to facilitate much smaller financial amounts, and be replaced by much lower cost digital technologies such as biometric on boarding, digital signatures, and open API standards, which facilitate leveraging common backend infrastructure with multiple application frontends.

Not only will customers enjoy lower transaction costs and a much wider choice of services, but public authorities will benefit greatly from replacing cash with electronic transactions. One hundred percent traceability and transparency – further augmented by artificial intelligence – will provide opportunities for real time alarming about suspicious transactions and avoiding tax evasion.

One essential enabler for a digital Sri Lanka will be a biometric ID system, which would unlock, secure and simplify not only inclusive financial services, but a wide array of private and public services – from issuing SIM cards and opening bank accounts to welfare and pensions. To this end, the strength of the Department for Registration of Persons could be augmented into the digital domain. Other nations can serve as a reference such as the Unique Identification Authority of India’s (UIDAI) Aadhaar initiative.

You have stated that the computational power of today’s applications will be virtually dwarfed in 10 years. What are the implications of this and how can

businesses ensure they stay up-to-date with technological advancements?

Computing power has exponentially increased over the last 120 years, enabling innovations that would have been deemed impossible just a few years before.

In addition, new technology platforms constantly emerge – such as mainframes, PCs, mobile phones, 3D printing, mixed reality, deep neural networks and generative networks – which further enable new applications.

It is safe to say that in this world, change is the only constant. What are the implications for enterprises therefore?

There is no silver bullet but the successful company in the future will likely be:

- Fully data and analytics driven – build a common data lake, analytics infrastructure, and data savvy team across the organisation;
- Agile and thus more resilient – break down hierarchies and silos, run cross functionally staffed projects working together like cells in an organism;
- Constantly learning – ignite the virtuous cycle test – improve – scale, and keep adopting new platforms, tools and algorithms while retiring legacy systems early.

To address digital threats, a national cybersecurity strategy has been developed, a cybercrime unit has been established and a cybersecurity bill is to be enacted. From a national perspective, what other measures are needed to address these risks?

In our digital age, we are globally connected

**PAYMENT SYSTEMS FOR A CASHLESS SOCIETY
SRI LANKA (2018)**

PAYMENT SYSTEM	TRANSACTION VOLUME (000s)	TRANSACTION VALUE (RS. BILLION)
Real Time Gross Settlement (RTGS) system	405	100,473
Main cheque clearing system	50,352	10,528
Sri Lanka Inter-bank Payment System (SLIPS)	32,943	1,972
Credit cards	43,600	242
Debit cards	56,595	159
Internet banking	26,979	2,933
Phone banking	8,176	143
US Dollar cheque clearing system	51	36



MEDIA SERVICES PHOTOFILM (PRISHAN PANDITHAGE)

Fintech is far beyond payments and we need to open all financial services to every Sri Lankan – savings to earn interest even for small funds, micro lending for a new smartphone, payday loans to bridge a few days, wealth management to secure a happy retirement

VISION FOR SRI LANKA

It will become an innovation, services and trading hub for the entire region, serving as the home of a world-class knowledge and circular economy that will be supported by an open, multicultural global society.

and cyber threats don't stop at borders. Data and information become key assets for individuals and enterprises, which must be protected.

Both data privacy and cybersecurity are of utmost importance so national standards – such as Sri Lanka's personal data protection and cybersecurity bills currently in preparation – need to be established, implemented and enforced.

The European General Data Protection Regulation (GDPR), effective since May 2018, is a global precedent with its aims to give control to individuals over their personal data. The key is to raise awareness among each citizen about rights with respect to personal data, as well as risks when using the internet. Schools and parents need to educate children who are exposed to the internet at an ever younger age about the associated risks and how to behave in cyber world, similar to teaching them about the real world.

Which functions are most likely to be eliminated by automation – and how can professionals prepare for these changes?

Most manual, repetitive, and standard mathematical tasks will be taken over by computers and robots – they're faster and more precise. Soon there will be no human drivers; bots will help us in the hotline, supermarkets won't have cashiers, and financial reconciliations and forecasts will be provided by AI, just to mention a few examples.

However, experience over the past decades and recent studies show that new jobs are created at least at the same pace as jobs become obsolete. For each individual, this means lifelong learning and adaptation. For companies, this implies a great responsibility in constant training and skills augmentation.

– Compiled by Lourdes Abeyeratne



SHUTTERSTOCK®

Transfer Pricing Regulations

It goes without saying that the application of transfer pricing (TP) has a direct and substantial bearing on the tax revenues of a country – and therefore, it is critical to recognise this fact of business life. TP is the focal point of tax and revenue authorities around the world, and it has led to formal documentation, in-depth deliberations and even litigation.

TP regulations have been laid down in sections 76 and 77 of the Inland Revenue Act, No. 24 of 2017 and under extraordinary gazette No. 2104/4. This has been in effect since 1 April 2018, replacing extraordinary gazette No. 1823/5, which was issued under the previous act.

What is transfer pricing?

TP refers to the pricing between two related entities or associated enterprises. And thanks to the special relationship between related companies, transfer prices may differ from those that have been agreed upon between two unrelated companies.

The price agreed upon between unrelated parties in an uncontrolled environment is known as the ‘arm’s length price.’ TP provisions enable revenue authorities to deem transactions to be recognised at arm’s length prices.

What is an associated enterprise?

If a person participates directly or indirectly, or through one or more intermediaries, in the management, control or capital of another person, that entity is referred to as an associated enterprise.

What is an associated enterprise?

Capital management control	Management	Control
<ul style="list-style-type: none"> • One person or entity holding a majority shares of another entity. • A common person or entity possessing a direct or indirect holding of 50 percent or more in each entity. • Possessing an interest amounting to 10 percent or more in a specified undertaking. 	<ul style="list-style-type: none"> • An entity appointing more than 50 percent of directors, or one executive director or more, in an undertaking. • A common person or persons appointing more than 50 percent of directors, or one executive director or more, in each entity. 	<ul style="list-style-type: none"> • Loans exceeding 51 percent of the book value of total assets (other than banks). • Loans and equity exceeding 51 percent of the book value of total assets (other than banks). • Guarantees amounting to or exceeding 25 percent of total borrowings. • Direct or indirect supply of 90 percent or more raw materials, or semi-finished goods and consumables, where prices are influenced. • Purchase of goods for trading purposes where prices are influenced. • Sale of goods manufactured where prices are influenced. • An undertaking controlled solely by an individual or jointly with relatives, and the other controlled solely by the individual, a relative or jointly. • Transactions with entities that do not participate in management, control or capital but where the terms of transactions differ from uncontrolled terms and confer a potential advantage to an entity.

Which transactions are subject to TP provisions?

Any transaction between two or more associated enterprises – either or both of which are nonresidents – are subject to TP provisions. This can be related to the procurement, sale or lease of tangible or intangible property, provision of services, lending or borrowing money or any other transaction that has a bearing on the profit, income, losses or assets of the undertakings, mutual agreements or arrangements for allocation or apportionment, or any contribution of any cost or expense incurred.

Transactions between a permanent establishment in Sri Lanka and other related branches of head office are also subject to TP provisions.

TP provisions are also applicable to transactions between two associated entities that aren't international and in cases where at least one enterprise is tax exempt or taxed at a concessionary rate, or has incurred a loss for the current year of assessment or brought forward losses from previous years of assessment.

What is an arm's length price?

The price that is applied or proposed for a transaction between persons other than associated enterprises in an uncontrolled manner.

Summary of methods to determine the arm's length price

Method	Product comparability	Functional comparability	Approach	Remarks
Comparable uncontrolled price (CUP)	Very high	Medium	Prices are benchmarked	This is very difficult to apply as a very high degree of comparability is required.
Resale price method (RPM)	High	High	Gross processing margins (GPM) on sales benchmarked	This is difficult to apply as a high degree of comparability is required.
Cost plus method (CPM)	High	High	GPM on costs are benchmarked	This is difficult to apply as a high degree of comparability is required.
Profit split method (PSM)	Medium	Very high	Profit margins	This is a complex method that is used sparingly.
Transactional net margin method (TNMM)	Medium	Very high	Net profit margins	This is the most commonly used method.

How can the arm's length price be determined?

Functions, assets and risk (FAR) analysis

The mapping of economically relevant facts and characteristics of inter-company transactions with regard to their functions, assets and risks should be conducted. This involves a careful analysis of functions performed by each of the transacting entities, assets employed and risks assumed by them. A detailed FAR analysis provides an in-depth understanding of a business and assists in the accurate characterisation of an entity.



Characterisation

Additionally, the FAR analysis enables entities to glean a complete understanding of the economic value added activities performed by each entity and their characterisation. For example, if an entity is defined as a manufacturer, its characterisations could be identified as a toll, contract, licensed or fully fledged manufacturer.



Selection of a tested party

Based on the identified characterisations, a tested party should be selected. This party should use a transfer pricing method that can be applied reliably and should be one for which the most reliable comparison can be found by considering the following criteria: the least complex (amongst the parties to the transaction); the availability of reliable and accurate data for the comparison; and the data available can be used with minimal adjustments.



Selection of the most appropriate method

The selection of the most appropriate method provides the most reliable measure of an arm's length price in relation to the controlled transaction. The methods that could be used are CUP, RPM, CPM PSM and TNMM.



Selection of profit level indicators (PLIs)

After selecting the most appropriate method, a suitable PLI must be selected.



Benchmarking analysis

A benchmarking analysis must be conducted to determine an arm's length transaction. Under current regulations, an arm's length price is determined on the basis of the arm's length range, which is the 40th to 60th percentile of relevant financial indicators. The range is calculated using the most appropriate transfer pricing method as applicable to the enterprise under the regulations.

What are the documentation requirements?

Local file

A local file is to be maintained by enterprises in which controlled transactions or each category of controlled transactions with associated enterprises exceed Rs. 200 million for each year of assessment, with respect to both international and applicable domestic transactions. The file must be kept available for a period of six years from the end of the relevant year of assessment. In the case of international transactions, documentation must be prepared in English.

Master file

This file will contain standardised information as prescribed, which will be relevant to every member of a multinational group. It must be maintained in English. However, only enterprises that have declared revenue exceeding 7.5 billion rupees for each year of assessment will be required to prepare and maintain a master file.

Country by country report

This will contain certain information related to the global allocation of a multinational group's income and taxes paid together with some indicators of the location of economic activity in the group. Regulations related to the country by country report are effective for reporting fiscal years of multinational enterprises beginning on or after 1 April. It must be maintained by groups with total consolidated group revenues exceeding Rs. 115 billion for the preceding fiscal year.

What are the filing obligations?

The country by country report must be filed with the Inland Revenue Department within 12 months of the end of the relevant fiscal year.

Furthermore, a TP disclosure form should be filed along with income tax returns for each year of assessment commencing from financial year 2018/19, covering information related to transactions, associated enterprises, TP method and pricing and the arm's length price.



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What are the penalties?

Non-maintenance of required documents	One percent of the aggregate value of transactions with the associated enterprise
Non-submission of required documents on specified dates	Rs. 100,000
Non-submission of required documents	Rs. 250,000
Non-disclosure of required information	Two percent of the aggregate value of transactions with the associated enterprise
Concealing particulars of income or furnishing inaccurate particulars of income and seeking to evade taxes	Two hundred percent of the value of additional tax
Failure to comply with a notice to provide information	A penalty not exceeding Rs. 1 million and a criminal investigation under chapter XVIII of the Inland Revenue Act

In addition to this, any tax adjustments made by the Commissioner General of Inland Revenue in relation to TP would not be entitled to exemptions or tax benefits provided under the Inland Revenue Act or any other law.



Ethics Committee

The Ethics Committee received six new complaints for the period from 1 April 2019 to 30 September 2019.

1. A complaint was made by a member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) alleging that a practising member in a particular area is not performing audits but issuing clean audit opinions for a low fee and also helping companies with tax evasion. The practising member is alleged to have employed a person who presents himself as a chartered accountant and has employed CA Sri Lanka students to sign articles but is not providing them with proper training.

This matter is still under investigation.

2. A complaint was received from a member alleging that a major financial fraud, loss or misappropriation of assets amounting to Rs. 20.7 mil-

lion has occurred at an institution due to inter alia poor corporate governance and accounting failures from 2012 to 2017; problems with the corporate reporting system; the lack of a well-developed and implemented corporate governance policy; and a lack of honesty and transparency in reporting.

After explanations and supporting documents were provided to the Ethics Committee, it was decided to send a letter to the complainant with a detailed description of the matters that have transpired.

Thereafter, the committee decided to close this case.

3. An anonymous complaint was received, stating that a firm of chartered accountants does not appear in the directory published by CA Sri Lanka. Therefore, it would not be a practising audit firm of chartered accountants, which would mislead the public.

However, investigations revealed that there is a firm of chartered accountants by that name in the Members Directory.

Since there was a factual error in the complaint, the Ethics Committee closed the matter.

4. A complaint was received from a member alleging that names stated as auditors in an institution's Form 15 are not chartered accountants as that firm's name does not appear in the Members Directory (the institution's Form 15 clearly identifies the auditors as chartered accountants).

This matter is still under investigation.

5. A complaint was received from a member stating that another member who had not obtained a practising certificate was engaged in consultancy services for which he alleges that such a certificate is required.

This matter is still under investigation.

6. A complaint was received from a member stating that another member was sending emails to other CA Sri Lanka members and nonmembers using foul language.

After examining the relevant materials, the Ethics Committee decided that there was a prima facie case of professional misconduct and referred the matter to the Council for further action.

INGIMAGE®



MEDIA SERVICES PHOTOFILE (ANUSHAN SELVARAJAH)

Transforming Enterprises

Dr. Amal Shehan Perera outlines the evolution of AI in business

Q: How has AI developed over the years?

A: Over the last five to 10 years, there have been major gains in specific areas such as narrow AI. Rather than trying to simulate everything humans can do, what's been more successful is focussing on specific areas such as natural language understanding, which deals with machine reading comprehension.

Previously, our approach involved providing computers with an extensive set of rules but this didn't scale. Now we're developing technologies such as neural networks and providing machines with data so they can learn on their own. This calls for narrowing our scope to specific areas.

Examples include spam filters that remove unwanted emails, facial recognition that automatically tags pictures, detection of fraudulent financial transactions, and customer churn and disease forecasting.

In Sri Lanka, opportunities to exploit AI are comparable with the software sector 20 years ago. A few companies are developing cutting-edge business intelligence (BI) tools using data science for the export market and we see financial institutes beginning to use BI locally.

University research groups are also working with AI. Two such examples at the University of Moratuwa are a machine translation project focussing

on translating documents between Sinhala and Tamil, and an application that forecasts dengue propagation to make way for targeted breeding ground eradication.

There is great potential for the country to gain an advantage by exploiting opportunities that have arisen due to AI advances.

Q: So which business applications have emerged as a result of this?

A: There has been a boom through data science (or data AI), which extracts insights from data through algorithms and processes. As such, larger players have been able to exploit data and use machine learning models to gain competitive advantages over their rivals.

For example, Google can place targeted advertisements with tools that crunch billions of user records and Facebook can display posts that users might like to see.

As for business value, Netflix presents a great example. It initially focussed on online DVD sales and rentals. To identify titles that viewers would watch, the company ran an open competition a decade ago for the best collaborative filtering algorithm to predict user ratings for movies based on previous ratings.

The US\$ 1 million prize for an



MEDIA SERVICES PHOTOFILE (UNION BANK)

improvement of 10 percent in predictions highlights the value of customer data, and the use of algorithms and machine learning techniques to identify customer preferences.

Q: Are these cases applicable to Sri Lanka?

A: There is an issue with data availability; this isn't necessarily because

of a lack of data but for want of initiatives. In many areas, we merely copy and deploy concepts from others. With our talent pool, we could look into innovative ways of using and repurposing data for our benefit.

For instance, call data records collected for billing purposes could be used to determine people's movements or locations at particular times. This could be useful to design and manage transport needs rather than conducting expensive roadside surveys to collect statistics.

How people use mobile phones can also help determine the economic standard of living in an area. So we've embarked on a poverty mapping project to ascertain the economic status and growth of certain regions rather than depending on infrequent household surveys. When repurposing users' data, privacy must be preserved by 'pseudonymising' or 'anonymising' the data, and taking other measures to store and process it.

What's more, Sri Lanka often encounters issues in balancing local production with rice imports to avoid under or oversupply. We're looking to adopt a simple technique used globally, which entails using satellite images of paddy fields to determine the extent of the harvest in the up-

There is great potential for the country to gain an advantage by exploiting opportunities that have arisen due to AI advances

Machine intelligence

coming season. This will enable us to make data driven import decisions accordingly.

Q: So when can we expect to see AI entrenched in our daily lives?

A: It will take time as the successes achieved so far have been limited to narrow AI. We have yet to advance in general AI – i.e. where machines can do what humans do – and super AI, which is where machines outperform humans.

However, many tools are currently in use – including online dynamic mapping services such as Google Maps. Weather forecasting relies on machine learning to provide accurate results. Taxi hailing companies also use machine learning to forecast and map supply with demand. And tools like Amazon Alexa enable us to use voice control for personal assistance to a degree. Meanwhile, chatbots that automatically answer customer calls use AI to understand questions and formulate answers.

These applications are categorised under narrow AI where we're limited

to the application domain. With the addition of more application domains, we'll soon be enveloped in AI, which will lead to general AI.

Q: In your assessment, how could AI impact the finance profession?

A: There would be different levels of support throughout the field. At the

Accountants will be more involved in decision making using AI tools rather than performing mundane tasks

lowest level, data entry, process automation, data correction and curation can be performed by AI. Revenue forecasting could also be supported by this and another key area pertains to discovering irregularities. Through data science, machines will be able to learn from past examples and detect fraud.

These tasks have structured data where the rules of an organisation are known and can be easily fed into machines. A challenging area in which AI can play a role is processing documents such as contracts, agreements and emails. Machines face difficulties in understanding natural language and recognising discrepancies but AI systems will be able to aid humans to a certain extent.

However, data privacy will remain a major issue and require extensive research so that we learn how to go about these activities properly.

Accountancy has evolved over the years and adopted computers as part of it. Similarly, it will continue to evolve and accountants will be more involved in decision making using AI tools rather than performing mundane tasks.

Q: What is the relationship between blockchain and AI?

A: Data privacy and security is a major concern not only in finance but every area in which data science is used on personal data. Blockchain technology can provide a secure, du-



INGIMAGE

FACT FILE

A neural network is a network or circuit of artificial neurons that can be used for predictive modelling, adaptive control and applications in which they can be trained through sets of data

A key role that financial professionals can play is being change agents for the design development, deployment and adoption of AI based tools

nable and distributed ledger for financial data. By itself, it will be used in finance and enhance AI application in financial data, enabling auditors to focus on important tasks.

Q: How can finance professionals help with the adoption of advanced technologies in business?

A: A key role that financial professionals can play is being change agents for the design development, deployment and adoption of AI based tools. With their broader understanding of the domain, they have to play the role of leaders supporting computer scientists and engineers in developing innovative technologies to support the profession.

In general, finance professionals should be able to adopt and evolve into newer roles enabled by technological advancements. In other words, they should be lifelong learners.

Q: What are some barriers to AI adoption in the local context?

A: Access to high performance computing infrastructure and data, a culture of resistance to change and a lack of training in AI are among the barriers.

We have to move forward with the proper policies in place so that market forces are unable to exploit data resources – not to mention the country. Safeguards are needed and to this end, the government has been working on data protection legislation.

Additionally, we must ensure that legislation doesn't hinder innovation and attempts to use AI for social good.

The interviewee is the Head of the Department of Computer Science and Engineering of the Faculty of Engineering at the University of Moratuwa. He was interviewed by Lourdes Abeyaratne.



IMAGE



Business Perspectives

Vindya Cooray offers an insider's view of the accountancy profession

Q: From your experience in forums such as the Young Chartered Accountants' Forum (YCAF) of Sri Lanka and Ceylon Chamber of Commerce (CCC) Young Leaders, what are the challenges faced by the younger generation in contributing to economic growth?

A: In the main, contributing to a productive workforce is how youth can contribute to economic growth. YCAF provides a platform for young chartered accountants to network with fellow professionals while attempting to develop entrepreneurial and soft skills.

When Young Leaders recently conducted a survey among youth, the lack of career guidance and information on opportunities emerged as the main challenges to pursuing career aspirations.

Although information is readily available thanks to technology, new entrants to the job market lack awareness about the country's occupational needs. For example, emerging fields such as data analytics provide a vast pool of opportunities to pursue and there's a demand for different categories of labour in the tourism industry.

Furthermore, it's important that awareness is created at the school level. Associations such as these strive to empower young professionals to become productive members of society – and consequently, the economy.

Q: What is your assessment of Sri Lanka's leisure sector at this time?

A: It has experienced a gradual recovery since 4/21, and Sri Lanka Tourism Development Authority (SLTDA) statistics indicate a year on year decline in arrivals of 47 percent and 28 percent in July and August respectively. However, month on month growth following Easter Sunday suggests a promising outlook.

The private sector has implemented several initiatives to communicate this message including promotional activities, inviting journalists to visit Sri Lanka, gaining celebrity endorsements and hosting international conferences and events, as well as the Positive Sri Lanka campaign, which endorses Sri Lanka as a safe destination.

It's vital that a consistent message is communicated at this time. As a result of such efforts, business is picking up, signalling promising prospects for the country.

Q: As a head of finance operations in tourism, what are your thoughts on how accountancy professionals can drive the industry?

A: Regardless of one's industry, being a finance professional offers a bird's eye view of an organisation's operations and future prospects.

Finance professionals should increasingly look beyond the scope of their positions to understand factors affecting their organisations, and analyse market dynamics and competitor behaviour. Looking beyond the numbers is key to achieving organisational goals and fulfilling stakeholders' needs, which in turn will benefit industry as a whole.

At the beginning of one's career, a job can seem to be system driven. For example, viewing a position as a data entry job would lead to a lack of interaction and the person not being aware about what contributes to the data. Finance professionals should

distance themselves from this mentality – and work with others to ensure that there's no gap between finance and operations. Moreover, they should be able to communicate in a way that others understand.

Q: Which new technologies are in use in the tourism industry, and are they being used optimally?

A: Technology has disrupted the tourism business model in its entirety. The recent bankruptcy of one of the world's oldest travel companies is proof of this.

As for new technologies, tourists can experience destinations they'd like to visit beforehand through augmented or virtual reality. With IoT at airports and hotels, aspects from lighting to curtains would be at travellers' fingertips – and they provide unique experiences.

Robotics could also play a larger role – for instance, robots may take on baggage handling in airports or replace receptionists in hotels.

Big data and data analytics are buzzwords; but they're important for businesses to customise experiences, for revenue management, and to analyse past data and drive strategies.

Furthermore, chatbots with an AI component can address customer needs such as travel preferences, accommodation, dining options and preferred activities.

Technology is becoming smarter, and business models and investments must evolve to keep pace with it. While time is needed to recover initial in-



INGIMAGE

THREE ATTRIBUTES THAT HAVE LED TO HER SUCCESS

Positive attitude
Perseverance – “I don’t think I’ve ever considered quitting as an option.”
Self-discipline

THREE ITEMS THAT ARE ON HER DAILY ‘MUST DO’ LIST

Check emails
Pray
Spend time with her kids

THREE THINGS THAT SHE EXPECTS FROM HER TEAM

Integrity
Teamwork
Accountability for their own work

THREE THINGS THAT SHE EXPECTS FROM HER PEERS

Straightforwardness
Trustworthiness
Teamwork

HER MOTTO IN LIFE

There is no good or bad experience – it’s how you define it. Every dark cloud has a silver lining – it’s a case of how you look at it.

"Being a finance professional offers a bird’s eye view of an organisation’s operations and future prospects"

vestment outlays, returns take the form of efficiency and lower employee costs.

Businesses in the tourism industry must discern when people are more comfortable interacting with robots rather than desiring the personal touch. As the consumer experience is important, it is vital to understand at which points new technologies should be deployed.

Q: As a trainer in a finance for non-finance programme, which skills should accountants develop to communicate with people beyond their field?

A: As professionals engaging in a technical subject, we must be able to communicate in laymen’s terms with everyday examples so that others can relate to the discussion. This is where communication, presentation and other soft skills are important.

When engaging in finance for non-finance programmes, I often explain to participants the role of finance professionals because a major concern is that departments tend to work in silos at times.

I believe in educating others about the reasons behind certain processes because finance has a larger role to play in terms of compliance, regulations and business ethics. In such instances, educating operations teams is important rather than citing policy, which leads to acceptance and cooperation.

The interviewee is the Assistant Vice President and Sector Financial Controller of the Destination Management Sector at John Keells Group. She was interviewed by Lashani Ramanayake.



INGIMAGE®



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Business Simplified

Lashani Ramanayake examines the benefits of virtual project management

We live in an age where workplace integration and technology are enshrined as the mantras for businesses to stay afloat – an age where cloud software providers are a familiar sight. And what's more, they're focussed on appealing to the tech savvy generation they hope to engage with.

As employees increasingly seek flexible work arrangements, and prefer to avoid long commutes and rush hour traffic by working from the comfort of their homes or on the go while pursuing other interests, many businesses are hard-pressed to find and retain new staff and maintain traditional working hours.

Companies that are among the very late tech adopters are currently converting decades of manually recorded data whereas others at the more advanced end of the technology spectrum are discovering better ways to improve efficiency.

Expansion across borders – be it local or international – also comes with a fair share of management complexities.

As a growing number of employees

are recruited on the basis of competence regardless of their geographic location and work remotely from across the globe, businesses are faced with the daunting task of creating a common workspace – one in which dispersed employees can collaborate, interact and most importantly, communicate to achieve their business objectives.

It is at this juncture that web based software as a service (SaaS) companies such as monday.com find their sweet spot. The Israeli tech unicorn – founded by CEO Roy Mann and CTO Eran Zinman in 2014 – has grown in leaps and bounds over the years.

In July, the company announced that it raised US\$ 150 million in a 'Series D' round, bringing its total funding to 234.1 million dollars and reportedly tripling its valuation to US\$ 1.9 billion in a year. And today, the startup claims to serve 80,000 organisations from nearly 200 vertical markets, which includes many non-technical organisations.

Monday.com is a visual team management tool that's available on web

and mobile app platforms. Its transparency enables tasks to be managed conveniently for both large and diverse teams. Members can be added quickly while project updates for tech averse team members are shared via email. Task assignment, workflow customisation and tracking progress until completion can be monitored by the click of a few buttons.

The ease of page navigation and graphical representation empowers team leaders to take charge of their work in new ways; it enables them to identify potential bottlenecks early on so that they can be addressed.

Monday.com offers customisable templates that can be produced to the desired level of complexity. Many users also find its reporting and analytics tools to be beneficial, as the system collects and arithmetically relates linked tasks and projects into a historical spreadsheet, which is updated daily and can be exported for third party solutions.

Easy integration of well-known programmes such as Asana, Gmail, Dropbox, Google Drive, Trello, Jira and Pipedrive, in addition to features such as live comments, relevancy based updates, the ability to copy and paste from Adobe and a many-to-many communication tool are among the advantages offered by this cloud based software.

Currently, the product is available for free trial and under four monthly payment plans.

As globalisation takes on a new meaning with the era of augmented and virtual reality unfolding – thereby presenting new possibilities for teamwork and cross regional coordination – firms will need to make the critical decision to begin their migration to higher levels in the digital world if they are to meet new generation employee expectations and successfully manage their operations while accomplishing business objectives on behalf of their companies.

A key concept in the evolution of business operations will be to steadily adapt to and embrace workplace enhancements such as monday.com – this in turn will reward organisations with numerous benefits including productivity enhancements.

"Firms will need to make the critical decision to begin their migration to higher levels in the digital world if they are to meet new generation employee expectations"



INGIMAGE®

GERMANY THE PHOENIX RISES

Lashani Ramanayake surveys the travel landscape in Deutschland



SHUTTERSTOCK®



Enjoying distinct seasonal changes because of its proximity to the central region of Northern Europe is Deutschland, better known as Germany. With its towering highlands to the south, vast sandy plains to the north, an urbanised west and an agriculturally dense east, Europe's largest and strongest economy recorded a GDP of US\$ 3.9 trillion last year.

Ranked 24th of 190 economies for the ease of doing business and recognised as the 24th most open economy in the 2019 Index of Economic Freedom, Germany demonstrates solid long-term competitiveness and entrepreneurial growth supported by an openness to global commerce, increasing government integrity and well protected property rights.

The country is home to some of the most globally recognised companies including Allianz, Daimler, Deutsche Bank, BMW group, Siemens, Volkswagen Group and SAP to name a few. According to a 2018 study conducted by professional services giant WPP, the 50 most valuable brands in Germany account for a combined value of EUR 263 billion.

Known as the land of poets and thinkers, German history is marked by the lives

DO

- Be punctual for all appointments
- Shake hands with everyone and say 'Guten Tag' (good day)
- Purchase health insurance before you travel to Germany
- Remove your shoes before entering a German home

DON'T

- Create sound disturbances between 10 p.m. and 7 a.m. on holidays or Sundays
- Visit German neighbours or friends unannounced
- Disregard waste separation rules



INGIMAGE®

EVENTS GUIDE

EVENT	LOCATION	DATES
Oktoberfest	Munich	September-October
Pumpkin Festival	Ludwigsburg	2 September-6 November
Frankfurter Buchmesse	Frankfurt	16-20 October
JazzFest Berlin	Berlin	31 October-3 November
Christmas Garden Berlin	Berlin	15 November-5 January
Tollwood Winter Festival	Munich	26 November-31 December

of Bach, Beethoven, Goethe, Händel, Schumann, Mendelssohn, Brahms, Wagner and Strauss. And as one of the world's leading nations for books (it publishes about 94,000 titles annually), the Frankfurter Buchmesse (Frankfurt Book Fair) is a publisher's dream.

A stroll through Berlin's historic Museumsinsel (Museum Island) – a collection of five museums marked as a UNESCO World Heritage Site – will thrill even the most ardent art and culture enthusiast or curious business traveller. These museums house some of the most acclaimed objets d'art including the famous bust of Egyptian Queen Nefertiti.

Germany plays host to some of the most anticipated events on Earth. For the curious, the Ludwigsburg Pumpkin Festival is promoted as the world's largest pumpkin festival – it displays over 450,000 pumpkins! Also not to be missed is the annual pumpkin boat race where brave canoeists navigate hollowed out giant pumpkins across a lake as fast as they can paddle.

For the more culinary inclined, the 16 day Oktoberfest celebration is sure to exceed expectations. The annual folk festival





attracts at least seven million people with a staggering six million litres of Bavarian beer being consumed, as well as some 200,000 pairs of pork sausage and 480,000 spit roasted chickens.

As Munich's most profitable tourist attraction, Oktoberfest reportedly earns in excess of EUR 450 million for the city.

The country is also the birthplace of Fanta, the Coca-Cola Company's second oldest brand. The story goes that a trade embargo barring the importation of Coca-Cola syrup into Germany during World War II forced the company to produce a domestic drink using whey and apple pomace.

This serves as testimony to Germany's conducive business ecosystem, which is complemented by a secure legal framework, strong IP rights, at least 40 private incubators, 230 coworking spaces and 20 creative prototyping labs.

Rebuilt by the strength of its industriousness and self-sacrifice of the people, the country continues to set the bar high as it strides confidently into the future.



GERMANY IN A NUTSHELL

AREA	357,386 square kilometres
POPULATION	82.9 million
CURRENCY	Euro (EUR)
GDP	US\$ 3.9 trillion (2018)
FDI INFLOW	US\$ 105.3 billion (2018)
OFFICIAL LANGUAGE	German
PRIMARY RELIGION	Christianity
GOVERNMENT	Federal multiparty republic
INFLATION	1.4% (August)
UNEMPLOYMENT	3% (July)
CORPORATE TAX RATE	15%

MEDIA SERVICES RESEARCH (FEDERAL STATISTICAL OFFICE/PRIVATIERHAUSECOOPERS) STATISTICAL OFFICES OF THE FEDERATION AND THE LÄNDER





A joint venture of DFCC Bank and HNB

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Future Ready Professionals

Chaaminda Kumarasiri discusses the salient features of Curriculum 2020



MEDIA SERVICES PHOTOFILE (THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA)

Q: What were the Institute of Chartered Accountants of Sri Lanka's (CA Sri Lanka) objectives when launching Curriculum 2020? And what are its key features?

A: The world is changing faster than we think and the dynamics of the corporate world also continue to evolve at a rapid pace.

On the other hand, there are ever growing challenges in the light of the onset of digital disruptions, big data, automation and robotics. These trends challenge accountants to ensure that they are relevant and able to cater to the demands of the many stakeholders who depend on them.

It is against this backdrop that we introduced the new curriculum and our primary objective was to build future ready finance professionals. Therefore, we crafted the tag line 'Empowering Finance Professionals of the Future,' which summarises this goal.

The curriculum is structured around three pillars – Professional Knowledge, Professional Experience and Professional Skills – and offered at the Business Level (I and II), Corporate Level and Strategic Level.

Furthermore, we have introduced new areas of specialisation for those who intend to quit the programme at the Corporate Level – and we've created an entry route for graduates at the Strategic Level to fast track their professional education.

As for practical experience, we have introduced both input and out-

put based assessment mechanisms instead of the input based assessment in the current curriculum.

Q: What are the new features of the curriculum?

A: Several unique features have been introduced, keeping in mind the latest trends in the market especially on the technological front. Accordingly, more importance has been placed on digital technology by incorporating the latest concepts and trends into the knowledge modules.

Another key highlight of the curriculum is that it incorporates speech craft, business writing, entrepreneurial and business acumen skills.

Curriculum 2020 offers six specialisations in actuarial science, data analytics, finance, taxation, governance risks and controls, and entrepreneurship for those who complete the Corporate Level. This enables students who are unable to complete the entire course to acquire niche specialisations that improve their employability.

We will continue to explore the market and consider expanding the specialisations available based on necessity.

Q: Does the new curriculum comply with international standards?

A: Ensuring that we comply with the International Education Standards (IES) in all aspects of the development process was non-negotiable from the beginning.

As a member of the International Federation of Accountants (IFAC), CA Sri Lanka is committed to implementing IES requirements. So Curriculum 2020 fulfils both IFAC and IES requirements.

IES prescribes learning outcomes for technical competencies that aspiring professional accountants are required to achieve by the end of the Initial Professional Development (IPD). Furthermore, Curriculum 2020 has been developed on the basis of the 2017 Common Content Project for professional accountancy qualifications and Sri Lanka Qualifications Framework (SLQF).

Q: Industry 4.0 is upon us with technology playing a leading role in business today. How does Curriculum 2020 contribute to ensuring that chartered accountants are future ready?

A: As far as technology is concerned, we've incorporated many contemporary concepts and topics – such as blockchain, AI, big data, data analytics and so on – in the respective modules. And the new Digital Business Strategy module will be introduced at the Business Level to equip students with the tools and techniques to strategise in a digital world.

The Institute has gone beyond merely adding content to the curriculum to leverage technology in delivery and assessment as well, by introducing computer based assessments and an e-learning platform for students.

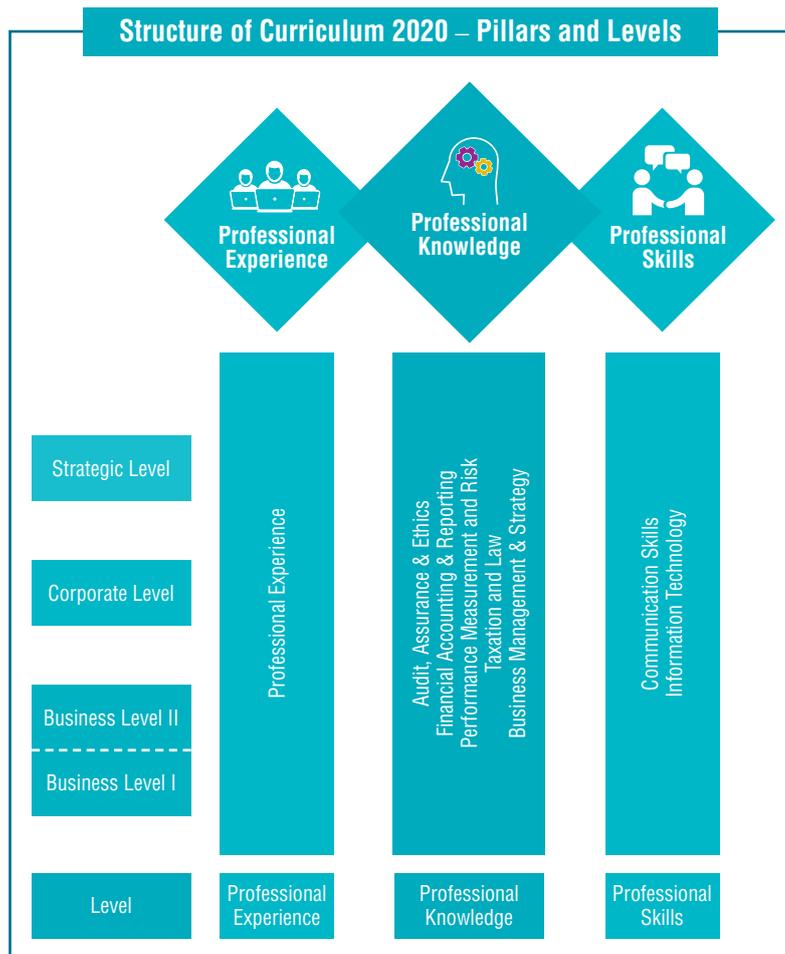
Q: What are the exit routes available for students at each stage of the new curriculum?

A: There are three exit routes in the new curriculum – viz. the Certified Business Accountant (CBA), Certified Corporate Accountant (CCA) and Associate Chartered Accountant (ACA).

These qualifications have been designed on the basis of profiles that were defined at each level, which was done after conducting in-depth market research.

Accordingly, a student who completes the CBA qualification can work as an accountant in the SME sector. And a CCA can serve as an accountant in a large organisation. An ACA will not only be CFO compatible in a larger organisation but also an all-rounder who could spearhead its success as a true business leader.

When designing the content, a suitable dose of each pillar – viz. Professional Experience, Professional Knowledge and Professional Skills – was considered at each exit point to ensure that students departing from any of the three levels are qualified all-rounders and not half-baked products.



Q: And what are the technical competencies students can expect to learn at each level?

A: The structure diagram explains the different modules in each level. Our expectation is to go beyond passing knowledge towards building competencies through a combination of all three pillars.

Greater emphasis has been placed on governance and ethics, as we expect our products to maintain the highest level of integrity, objectivity and professionalism in whatever they do.

The ultimate goal of the new curriculum is to ensure that future chartered accountants go beyond their traditional functions in finance, and possess the business and strategic skills to successfully drive the business world by converting challenges into opportunities.

That in a nutshell will help revive the corporate world.

The interviewee is the Chairman of the Curriculum Review Task Force and a Council Member of CA Sri Lanka.

Tick the right word from the pair that is in brackets

If tourism is to fulfil its massive potential as a creator of jobs, driver of economic growth and **(catalyst/capitalist)** of equality, it needs to be open to everyone and also to new ideas.

- Catalyst:** An event or person that causes a significant change or action.
- Capitalist:** A person who has capital invested in business.

The country has faced continuous cycles of floods and **(draught/drought)**, making it one of the most vulnerable nations to climate change.

- Draught:** A current of cold air.
- Drought:** A long period with little or no rain.

If Brexit eventuates, the UK could revert to the situation preceding the Margaret Thatcher era when it was **(deferred/referred)** to as the 'sick man of Europe.'

- Deferred:** To postpone until a later time.
- Referred:** To think of, regard, or classify within a general category or group.

Effective public financial management is a **(crucial/cruel)** yet all too often overlooked precondition for achieving prosperity with government activities accounting for nearly half of the global economy.

- Crucial:** Important or necessary.
- Cruel:** Extremely unkind and unpleasant; to cause injury, grief or pain.

Decision making doesn't always come down to a binary 'yes' or 'no.' The fine line between the two is subject to interpretation and will make up the bulk of the **(dilemmas/diplomas)** that an accountant faces during his or her career.

- Dilemmas:** Situations in which an unpleasant choice has to be made.
- Diplomas:** Documents bearing records of graduation of a degree conferred by an educational institution.

An urgent response is required, failing which we run the risk of finding ourselves stuck in a long period of stagnation, the **(blunt/brunt)** of which will be felt primarily by the most vulnerable.

- Blunt:** Being abrupt in speech or manner.
- Brunt:** The force of something unpleasant.

There are ever larger volumes of data that have to be stored and processed; and because of a lack of **(capacitor/capacity)** in Europe, this often happens in the US and China.

- Capacitor:** A device used to store an electric charge.
- Capacity:** Amount that can be contained or accommodated.

We are determined to find a way to ensure that investments are used to ensure less carbon dioxide is **(omitted/emitted)** and establish a legal framework that supports this.

- Omitted:** To leave out or not include.
- Emitted:** To produce or discharge.

CONNECTING YOUR WORLD

Chartered Accountants Worldwide (CAW) has launched a network member logo that recognises and promotes a global family of Chartered Accountants. The Institute of Chartered Accountants of Sri Lanka is delighted to be part of CAW as an Associate Member.

By displaying the network member logo, individual members can show they are part of a global network of qualified professionals who share common values and a commitment to the highest technical and ethical standard. The new network member logo can be used in email signatures, letterheads and stationery, as well as on websites and social media.

The logo will create international recognition for the quality of the Chartered Accountancy profession, ensuring that Chartered Accountants' qualifications stand out in an increasingly competitive market.

Show the world that you are a Chartered Accountants Worldwide Network Member and be part of a global network of over 750,000 members and 1 million students, in over 190 countries, it's an opportunity to show that you are not only strong locally but connected globally, as well.

Show the world that you are part of something bigger.

To find out more about the CAW network member logo, please visit
www.charteredaccountantsworldwide.com/network-member



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