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LKAS 39 : THE RIGHT MOVE FOR SRI LANKAN BUSINESS? “...It is not just an accounting exercise...”

RETIREMENT BENEFITS, SKILLS AND AGEING WORKFORCE

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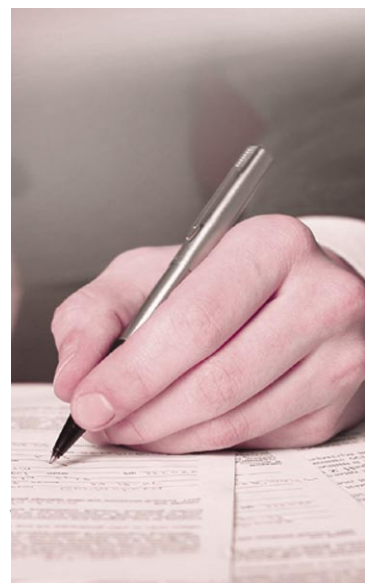
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PRESIDENT'S MESSAGE



“ We will adopt new approaches to face growing challenges in our journey to be the best. ”

As we reach a monumental 53 years of existence, with a proud legacy laid down by our forefathers, our Institute has today emerged as a prestigious accounting body with a global outlook standing shoulder to shoulder with the world's most respected accounting organisations.

Our journey has been illustrious and today we command respect in every sphere, both locally and abroad. Our membership has steadily increased and today we enjoy a diverse membership of 4200 chartered accountants, a majority of who play a leading role in the country's corporate world.

Our members mark their presence not only locally but also globally with at least 30 percent of our members spread in all continents across the globe.

As one of Sri Lanka's largest tertiary education providers outside the country's university system, today we boast of a mammoth student base of over 37,000 aspiring chartered accountants who are studying our globally recognised course at the Institute.

In our continuing endeavor to reign in our position as a leading accounting body, the need for change is constant, and with this in mind, we saw some remarkable feats during the past year.

The year 2011 will go down in our Institute's history as a significant year of achievement. While we take great pride in what our forefathers created, our Institute realised that change was essential if we are to face today's dynamic business environment with confidence whilst also striving to be a greater force in the future with global accounting bodies. With this ideology in mind, we embarked on a rebranding initiative last year, which has been well received by

all our stakeholders.

Our Institute is our pride, and I believe it's important we continuously strive to achieve greater heights in order to keep up with other global accounting bodies. Competition is today at its highest peak and we are not in a position where we can sit and take it easy in the comfort of our present standing.

We are at a stage where demands and expectations are diverse and ever increasing. This is a period of immense competition, challenges and risks. Our Chartered Accountants are our primary product and are sought after both locally and globally but the challenges they face are equal to the opportunities that lay ahead of them.

As one of the largest professional bodies in the country, our task is to spearhead the accounting profession and therefore I believe it is the responsibility of CA Sri Lanka to be the guiding pillar to our members, keeping in mind their needs and catering to them to ensure they are in line with changing global trends and have mastered the necessary expertise for their professional success.

Almost three years since the ending of the country's war with terrorists, today our nation has embarked on a massive development drive, uplifting infrastructure while ensuring our country's economy remains robust despite setbacks from time to time.

For a country in transition, the role professionals can play is immense and despite the growing challenges professionals and society face, we should be able to utilize the opportunities given to us and steer the country towards better times.

CA Sri Lanka enjoys harmonious partnerships with some of the world's most recognized accounting bodies, including the Institute of Chartered Accountants of England and Wales (ICAEW), CPA Australia, Association of Chartered Certified Accountants (ACCA), Chartered Institute of Management Accountants (CIMA) and the Chartered Institute of Public Finance and Accountancy (CIPFA).

Every effort will be taken to assist our students as I reckon that the future of our Institute rests on their shoulders. To stay relevant with global changes, the curriculum and examinations will be continuously updated.

We will adopt new approaches to face growing challenges in our journey to be the best. No frontier is final for us and our search for excellence should remain high on our agenda.

I welcome you to join us in this endeavor. I together with my council welcome your thoughts and inputs on this enduring journey to be the best.

SUJEEWA RAJAPAKSE

FCA

President

FROM THE EDITOR...

Have you felt the pinch of under estimating the breadth and the depth of an emerging trend, embraced by other players in the profession? Especially when you are a part of a regional or global financial framework. How soon these emerging changes be adopted and managed in the CA Profession? Manil Jayasinghe reports on “LKAS 39: The right move for Sri Lankan business ?” that LKAS 39 is in effect in Sri Lanka from January 2012 and the market is speculating on the business implications arising of same (p.8).

The southern highway is now complete up to Galle and would extend further. Similarly, the post-war scenario has created an influx of foreign funded projects presenting multiple opportunities for the professionals. Here, the Chartered Accountants have a critical role to play, especially in project fund management, in order that beneficiaries reap optimum benefits in the nations march forward towards development. Is project management difficult even with the new controls and systems? T. Sivananthakumar details out the “Accountants role in Project Management” (p.27). “Well known banker and former Central Bank Governor N U Jayawardena achieved most of his milestone in late age and continued to work till 92” writes Sunil Karunanayake in “Retirement benefits, skills and ageing workforce”.

Dr. A. Musaamil contributes on “Fundamental concept of Going Concern in current economic downturn” (p.39) and Harsha Gunasena argues that a high performer in a work force may detriment team spirit in “The value of team work”. Sri Lanka's marketing guru Prof Uditha Liyanage provides valuable insights to the postmodern consumerist tendencies that have come to stay and grow in “Sri Lanka's new mod-tradi consumer” (p.11) while Manohari Abeyesekera elaborates on the dual role of a career woman and justifies as to why women should be better represented in the decision making role in the corporate arena in “Is the invisible glass ceiling impregnable?”.

Mihindu Rajaratne stresses the need of a national strategy to complement the powerful vision of the nation while Ruchi Gunewardene writes about the changes in the business context that the Institute operates in, and how a brand would be an agent of change in “Branding the Institute of Chartered Accountants of Sri Lanka”, as guest writers.

The current issue also focuses on the vast strides of accomplishments that the new President would aim for in the next two years. This issue concludes with an appreciation of a Past President - a hard task master and a gentleman par excellence in “An outstanding professional and an illustrious corporate leader”, a masterpiece by Lakshman Perera.

SENAKA ABEYAKOON

*Editor / Secretary
Journal Committee*

LKAS 39: THE RIGHT MOVE FOR SRI LANKAN BUSINESS?

“...It is not just an accounting exercise...”

The above phrase has been repeatedly echoed by Europe and other countries who have adopted IAS 39 (LKAS 39 is the Sri Lankan equivalent) since 2005. The recent economic meltdown that began in 2007 has also sparked many rounds of discussions as to the usefulness of LKAS 39 in helping to identify distress signs in a timely manner.

Heavy criticism has been heaped on this standard by various parties, from G20 leaders to accounting practitioners to investors. Are there merits to this criticism? How does LKAS 39 work? What are the business implications?

forces will affect the bottom line, unless the underlying hedged items are also carried at fair value through profit or loss, or if hedge accounting is applied. Most companies have carried their derivatives off-balance sheet pre-LKAS 39.

In addition, certain ‘embedded’ derivatives in financial instruments and even non-financial contracts now need to be accounted separately and carried at fair value through profit and loss. Examples include equity kickers within loans and certain structured deposits.

New loan loss provisioning methods: Changes in loan loss provisioning within the financial services sector are expected to be significant and challenging. Discounted cash flow is the new method of estimating the provision, where timing of recovery and time value of money have now become important determinants. When Europe adopted IAS 39 in 2005, the impact of these new methods to the 24 largest European banks ranged between -7% to 6% (as a percentage of shareholders’ equity).

Consequently, heavy investments have been made into new provisioning methods, data collection, processes, IT, governance and internal controls in order to arrive at a precise provision measure.

Some companies may have under-estimated the breadth and depth of implementing LKAS 39 at the beginning, but are now working hard to catch up with their peers.

Impact of effective interest rate (EIR) to business performance measurement and product pricing strategy: Under LKAS 39, interest income and expense are recognised based on a constant yield throughout the expected life of a transaction. Direct costs are required to be capitalised and included as part of the EIR. Some companies charged these to income statement pre-LKAS 39. As such, many financial assets/liabilities will be affected as different methods were used pre-LKAS 39; for example, contracted rates for loans with different rates in different years and sum-of-digit for hire purchase products.

Accordingly, income and expense recognition of certain

What alternatives do we have? What’s next?

LKAS 39 is in effect in Sri Lanka from 1 January 2012 and the market is speculating on the business implications arising from the implementation of this standard.

Key areas with expected major financial implications are:

Managing profit and loss volatility: All financial assets, financial liabilities and derivatives will now be carried on-balance sheet and at fair value, commonly known as ‘mark-to-market’. Fluctuation of the values due to market

financial assets and financial liabilities will now be brought forward or deferred, thus affecting how business performance will be measured. This calls for revisiting of business strategies for financial products.

Capturing fair value of inter-company loans and financial guarantee given: All financial instruments are first recorded at fair value under LKAS 39. The fair value of a financial instrument on initial recognition is normally the transaction price. However, if a long-term loan is given to a company free of interest or at below commensurate interest rate, its fair value is not the same as the amount first advanced. 'Day-one-loss' would arise for the lending company and 'day-one-gain' would arise for the borrowing company.

Similarly, for financial guarantee given in favour of a related company, it is not uncommon that no fee is charged by the guarantor. However, the fair value of the financial guarantee is similar to the fee that banks would have charged for a bank guarantee given, with the pricing being subject to credit standing of the reference company.

Due to existing consolidation rules, most of these items would be eliminated in the group financial statements. However, the company level financial statements are still affected, thus affecting taxable income, distributable profits and potentially dividend policies.

Challenges in implementing LKAS 39

From the potential business implications above, most companies have come to realise that applying LKAS 39 is a lot more than just several tasks completed by the Finance function. The adoption of LKAS 39 is now being treated as a change management exercise involving almost all key functions within an organisation.

The extent and timing of this realization vary across the market. Some companies may have under-estimated the breadth and depth of implementing LKAS 39 at the beginning, but are now working hard to catch up with their peers. The lessons learnt by others have been used as a 'checklist' to ensure at least all significant areas have been duly considered and addressed, a process that should be completed in time before the first financial quarter results in

2012.

Aside from the accounting and financial aspects, other key business areas that should have been covered include (i) business processes, (ii) IT and systems, (iii) human capital, and (iv) taxation. Each company needs to have a grasp of the LKAS39 aspects that will have the highest financial impact on their business, and the areas that will present the greatest challenge during implementation.

Indeed, one key area that may prove challenging has to do with SLFRS 7. SLFRS 7 relates to disclosure requirements on financial instruments. SLFRS 7 goes hand-in-hand with LKAS 39 requirements, and in addition, introduces more detailed disclosures, both from qualitative and quantitative aspects.

Looking back and planning forward, management needs to pay closer attention to details of its proposed approach to adopting LKAS 39 and satisfy itself that it has covered all appropriate areas. The Board of Directors and the Audit Committee also need to be confident in the management's plan, comprehensiveness and diligence.



Are we ready to 'go live' on LKAS 39?

Most of the LKAS 39 implementations have involved teams comprising internal representatives from different businesses and supporting units, and at times external help. However, at the end of the implementation, the project team no longer exists and the new processes may be operated by new process owners. The operational risk is exacerbated as many of the solutions developed and applied are manual based instead of automated due to the impending replacement of LKAS 39.

Consequently, the transition from "change" to "operational" mode has proven to be a major implementation challenge.

What's next after LKAS 39?

LKAS 39 or IAS 39 is not without flaws. It has been criticised for being overly complex and difficult to apply. Some critics have even claimed that IAS 39 is pro-cyclical, both in the period of growth and downturn, which further drives the

volatility in fair values.

Following the G20 Summit held in London in April 2009, the G20 leaders have led the call to simplify IAS 39. This has since led to the development of IFRS 9, a new standard that will fully replace IAS 39.

IFRS 9 is being developed in three main phases, with Phase 1 on Classification and Measurement of Financial Assets completed at present. The other phases include revisions relating to financial liabilities, amortised cost and impairment, hedge accounting, de-recognition and others are being developed. This standard is expected to be completed within the next year or so with the intention of adopting the standard with effect from 2015.

The information contained in this article is intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. On any specific matter, reference should be made to the appropriate advisor.

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SRI LANKA'S NEW MOD-TRADI CONSUMER

We have a new Mod-tradi, postmodern consumer emerging in particular segments of our market space. Do we know her?

1. Introduction:

The seemingly opposing socio-cultural forces of traditionalization and modernization have to be clearly recognized in our attempt to profile the emerging Sri Lankan-consumer. The force of traditionalization gathered momentum in the post-1956 period, while the impetus of modernization was felt particularly in the post-1977 period. Escaping the attention of many, the two forces of traditionalization and modernization have been converging, over the recent past, giving rise to the post-modern consumer.

The Oxford English Dictionary describes tradition as, “customs, opinions or belief handed down to posterity, especially orally or by practice”. According to Cook, (1993), tradition, “paves past practices and beliefs which have a certain moral or spiritual prestige, and it would also link at least three generations, providing a sense of connectivity”. Modernity is defined as “belonging to the present or to recent times, and not to the old or ancient, contemporary, current, present day, often a deliberate departure from tradition” (Cook, 1993).

The chief implication of the emergence of the post-modern consumer for marketers in particular is to find focal areas of fusion between that which is traditional and modern, and avoid an attempt to either hark back to the past for its own sake, or become overly modernist, and thus address only a small and alienated group of consumers, at best.

Discerning the fine line of fusion between the traditional and the modern impulses of the consumer is the challenge that the Sri Lankan marketer encounters. He also needs to identify the disparate socio-cultural and urban-rural groups that are variously impacted by postmodernist tendencies, which the marketer can ignore at his peril. Indeed, postmodernism appears to be a megatrend that has begun to unfold across the Sri Lankan market place at varying levels of intensity.

The Compact Oxford English dictionary defines postmodernism, “as a style and concept in the arts,

characterized by distrust of theories and ideologies and by drawing of the attention to conventions. Webster’s dictionary defines it as “... movements in reaction to modernism that are typically characterized by a return to traditional material and forms (as in architecture), while not totally abandoning elements of the modern form”.

In architecture, for example, in Sri Lanka, one witnesses the growing tendency among the SEC A groupings, in particular to use cement floors and old, traditional benches and such furniture, typical of a pre-modern era. Interestingly, the lower SEC groups are attempting to upgrade from cement floors to glossy floor tiles, while the upper SEC groups in a rather strange way are attempting to upgrade through a return to, say, cement floors in the design and construction of their houses. However, there is of course no attempt to jettison the modern equipment and paraphernalia that provide the conveniences and comforts of modern living.

The coming together, indeed the confluence of the forces of traditionalization and modernity brings forth a third distinct, “stand alone” force of postmodernism and with it, the emergence of the postmodern consumer. The force of postmodernism is a synthesis of the forces of traditionalization and modernity discussed earlier, but, importantly, it transcends both, and has an identity and force of its own.

2. Drivers of Postmodernism:

The emergence of postmodernism is a reaction to modernism, as was first witnessed in architecture. It was a reaction to blandness, hostility and utopianism. Definitive postmodern architecture such as the work of Michael Graves rejected the notion of “pure form” or “perfect” architectonic detail; instead, conspicuously drawing from all methods, materials, forms

and colours available to architects. The emphasis on personal, subjective preferences and variety over the objective, ultimate truths and principles is characteristic of postmodernism. (Wikipedia, Postmodernism)

Similar drivers as those described above bring forth a behavioural consumption pattern that has the features of both tradition and modernity. Indeed, it is a fusion, a confluence, of forces, and the

The key driver here is the avoidance of the possibility of being uprooted and alienated from the deep-going social programmes and processes on the one hand, and the avoidance of being stuck in the past and old fashioned, on the other. This struggle to embrace the “new”, but not abandon the “old”, altogether, provides the consumer with the psycho-social energy to spawn a combination of the two, not one sitting next to the other, but an active inter-play of the two to produce a single core.

3. Expressions of Postmodernism:

Dresscode of men, the traditional national dress-type top or shirt, and the western trouser are followed by many politicians. It is not uncommon among the business community too. The expensive sarong and shirt combine is an acceptable form of dress in many elite social gatherings. The increasing preference for cotton and linen as opposed to the silky, synthetic clothing is also commonplace among the upper economic classes. It is increasingly followed by other groups.

The traditional saree is now reserved for special and formal occasions and many females, especially of the upper socio-economic classes, now wear, instead, trousers and blouses, the latter being an improvisation of the western form. Many professional women now are also attired in a near unisex trouser-blazer outfit.

A vivid metaphor that characterizes and portrays the postmodern “mod-tradi” consumer is a youth clad in a faded pair of jeans and a branded T-shirt, and the adornment of the conspicuous “pirithnool”. The religious “pirithnool” thick and showy is a symbol of traditionalization and the pair of faded jeans is an expression of modernity. Both co-exist and are congruent in the eyes of the post-modern consumer. Paradoxically, the “pirithnool” now plays the projective “Me” role, and the faded jeans is no longer an imposition on the reflective “I”, the private self. There is a fusion of the two symbols and they co-exist in harmony!

Musical preferences are another manifestation of the force of postmodernism. The local Superstar television events have captured the imagination of a nation and appeals to a wide audience across all SEC groupings. These mega TV events are unmistakably modelled on the American Idol, but their localization is equally unmistakable. Interestingly, the judges at the events, unlike their American counterparts are wont to shower praise on the young and talented participants. Criticism is spared and an attempt to introduce a critical judge in one event to make the counterpoint, as it were,

postmodern consumer can and must be seen as distinct from the traditional and modern consumer.



seemed contrived and rehearsed. The local feminine cultural ethos as opposed to the masculine American cultural values is another indication of an apparently western and modern behavioural orientation (ME) but a traditional attitudinal orientation (I). The new “IME” consumer vividly plays its role on the stage of the Superstar.

Interestingly, the stage and backdrop of the Superstar TV events are modern in their design and layout. But the songs that are typically sung by the participants belong to an era that many of the participants themselves were not a part of. This significant phenomenon can be evocatively described as the “reincarnation of Jothipala through the Superstar TV reality shows”. The songs of Jothipala, Milton Perera, Milton Mallawarachchi, and Ameradeva were those hot favourites of many participants (traditionalization) fused with a rendering that is typically modern. The postmodern audience had no difficulty in appreciating the duality that is presented as one unified whole.

The popularity of the Bathia and Santhus can also be largely attributed to the creative fusion of the traditional and modernist musical trends. The modern rendering of the traditional rhythms are a case in point in this regard.

Food habits of the postmodern consumer have a traditional base. The ‘polsambol’ and the ‘kiri hodi’ are very much a part of our regular menu, across SEC groupings. However, sausages at home and regular visits to the likes of McDonalds are not uncommon. This fusion is perhaps best expressed in the McDonald’s Mac-bath.

Language and its use in particular contexts is another manifestation of the confluence of the traditional and modernist tendencies. “Singlish” and “Tamilish” expressions often creep into every day conversation of especially the youth, across multiple SEC groupings. This tendency is reflected in many interactive TV and radio programmes, where English words and phrases are liberally interspersed with the vernacular.

In casual conversations among many youth who may well express themselves in the English language in formal official settings opt to speak in the blended “Singlish or Tamilish” format. The ease with which they do so is again indicative of the postmodernist IME and the mod-tradi consumer referred to earlier. Importantly, brands that have meaningfully fused the modern and traditional appeals to form a harmonious and holistic offering seem to fare well in the market place.

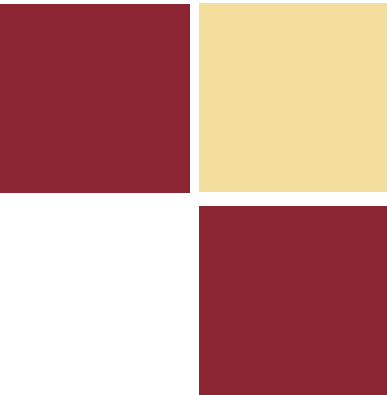
The inclusion of cloves (traditional) into a modern toothpaste as in Clogard has paid-off. Conversely, brands of toothpaste that have failed to include the modern dimension in a value-creating sense as in the case of Supiriviki has remained a

small and insignificant brand. The number of herbal based products introduced by large multinational companies is evidence of the postmodernist tendencies that one has to ride, rather attempt to get rid of.

The market penetration of Samaposha breakfast product, for example has a “mod-tradi” appeal. It falls between the modern cereals on one side and the traditional



and inconvenient to prepare ‘kola kande’, on the other. The significant growth of alternative medicine and herbal products, in the developed world, in particular provides evidence of the mega trend of postmodern consumerist tendencies that have



come to stay and grow.

Recognizing the underpinnings of postmodernism and how they shape the way consumers think and act, is indeed, key to the success of any organization that has customers to deal with. And who doesn't?



4. Implications of Postmodernism:

The post-modernist tendencies that are unfolding at present have the potential to become a megatrend that will markedly affect all sectors and classes of the Sri Lankan society. Postmodernist and consumerist tendencies have today, and will in the future, impact different SEC groupings and urban-rural segments differently. Importantly, it is the challenge of the marketer to discern the varying impacts of postmodernism on disparate market segments, over time.

The Traditional Middle Class (TMC), on one hand has become more westernized in some respects, while on the other, retaining some traditional values and customs. For instance, the emergence of the western bridal gown rather than the bridal saree, is contrasted with the traditional customs such as the poruwa ceremony and the

worshipping of parents by the bride and the bridegroom at the

wedding which are very much in place. And the music played at these well attended high-profile wedding ceremonies of TMC is most likely to feature traditional local melodies.

Some sub-groups of the New Urban Middle Class (NUMC) who have benefited markedly from the liberalization of the economy, post-1997 and are exposed to overt western life styles and social values, have, it is argued, evinced a deviant behavioural pattern that can perhaps be described as an aberration of postmodernism, in fact, a kind of vulgarization of it.

For instance, the musical forms which erode and distort the traditional foundations of their constructions is a marked contrast to the postmodernist incorporation of western forms and their fitting fusion with traditional musical forms. These attempts to remove and debase the traditional roots is clearly seen as an aberration.

The dress and attire of some of the youth who go beyond the modernist and the postmodernist genre belong to a small group of youth in particular who are not "rooted" in the mainstream social milieu. They spend large sums of money to tattoo their bodies and pierce their ears. These alienated youth may well be likened to the hippies of the eighties who represented a socially reactionary small grouping in some western nations.

In its less extreme form, one could witness tendencies that distort the postmodernist tendencies on our local television channels. Sexually overt TV commercials, programmes that encourage young females to engage indulgently and in a rather flirtatious manner with male film stars, the debased dancing competitions that are devoid of our cultural underpinnings, are illustrative of the "vulgarization" of the post-modernist tendencies. Importantly, these attempts are repeatedly rejected by the larger mass of consumers as empirically evidenced in the study of Nilaweera and Weeratunge, (2005).

5. Conclusion:

The harmonization of the traditionalist and modernist forces gives rise to postmodernist tendencies in the Sri Lankan marketplace. A mis-match of the two, produces either an overly traditional, and therefore, an old fashioned and obsolete proposition or a hyped rendering of an overt

western and modernist proposition. The former lacks appeal in that it may be considered to be desirable, at best, but not necessarily, desired. The latter will be treated, other than by an insignificant minority, as an aberration; as one which lacks relevance and social acceptance.

The challenge of today's marketer is to sense the emerging postmodernist propensities of the emerging consumer and develop propositions and products that avoid the two extremes of being either overly traditionalist or modernist. Such an endeavour must be based on the recognition of the points of confluence and fusion that appeal to a new breed of postmodern consumers. This in turn would be possible only through the deep-going understanding of the psyche and the behaviours of the new and emerging Sri Lankan postmodern consumer.

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RETIREMENT BENEFITS, SKILLS AND AGEING WORKFORCE

During the past four decade's world has witnessed increase in life span period by few years perhaps due to advances in quality of life prosperity and improved healthcare etc. It has also been noted that most people have utilized the extra years thus earned for leisure. These have brought about a revolutionary change in the life styles, spending etc in mostly in developed countries, in the recent years this trend has been observed in the developing countries too through rapid economic development as seen in India, Malaysia. We in Sri Lanka too have observed declining poverty and improved life styles.

In Sri Lanka the state sector modeled on the British system enjoyed pension benefit and for this reason state sector was attractive to most job seekers. The provident fund facilities were limited to a few in the private sector such as plantations, Banks and multinational companies that operated their own provident funds while majority belonged to mercantile services provident society that operated within the Ceylon Chamber of commerce. The employee's provident fund (EPF) a contributory scheme was set up in 1958 by the socialist government that came to power in 1956 following a major industrial dispute in a leading multinational. This move benefitted many employees and in particular the non white collar category. Following the emergence of a liberal pro capitalist regime in 1977 that liberalized the economy and brought in a business friendly atmosphere two far reaching legislations i.e.: Employers Trust Fund and the gratuities act that provided a solid retirement package.

Consequent to a proposal made in 2011 budget in 2010 government recently made an announcement that steps are being taken to introduce a pension scheme for the private sector employees. This was welcomed by employer organizations and other key stakeholders as a far reaching benefit...The draft bill was presented in the Parliament on 8th April. However this is still being examined by the key stakeholders and no finality has been reached due to certain reservations. It is hoped that the issues will be resolved soon ushering a new era for the private sector employees. A pension scheme will certainly be beneficial to private sector employees given the experience of many retirees getting in to debt after consuming most of the provident fund proceeds.

Pension issues are common even in rich countries due to fund deficits, falling markets etc. during the 2008/9 global financial crisis pension funds suffered heavy losses and

retiree were the sad victims. This situation has now improved considerably.

Many governments including the rich world are struggling as how to deal with the ageing population, even in Sri Lanka this is a hot topic due to declining



interest rates and limitation of income options. Senior citizens have been recognized only by fewer institutions i.e. few Banks, Osu sala etc. Developed countries are now in the process of extending

the retirement age with the objective of saving on state costs on pensions, According to the latest information America is planning the retirement age to be extended to 67 & Britain 68. Working longer enables employees to earn wages for a longer period and the government revenue enhances through taxation. With more in employment economic growth too could be faster.

Sri Lanka's company legislation too specifies the maximum age limit for Directors at 70 with a proviso those over 70 could continue with shareholders sanction at the AGM. Time and again many researchers have highlighted the value of aged

employees. Well known Banker and former governor of the Central Bank, N U Jayawardena achieved most of his milestone in late age and continued to work till 92 when he passed away. He also paved the way for high tech banking with the setting up of

Sampath Bank. According to US based Kauffman foundation Americans in the age group of 55 to 64 have launched more businesses than those aged 55 to 64 since 1996. it has also been found out that consciousness rise with ageing ,older worker are more attentive on the job with fewer absenteeism. Two American academics peter capelli and Bill novella in their publication "Managing the older worker" quotes that not only do older worker wants to go on working and through their decades of formal and informal knowledge deliver considerable benefits to the employers. Some leading companies have requested the old staff to document informal knowledge they have gathered during their careers. It is also learnt that older employee's interest in financial rewards is limited but they value flexibility.

Elderly care is not considered a major issue in Sri Lanka due to cultural patterns that provides for ageing parents to live with children, most also believes that moving to elder's homes is not socially acceptable. However sustaining these traditions seems to be difficult with both spouses being employed and higher cost of living, another factor is the mass migration of the young people to developed countries.



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21st PRESIDENT'S INDUCTION

From Left to right:

Chief Guest, Mr. Nivard Cabraal, Governor Central Bank of Sri Lanka, outgoing President, Mr. Sujeewa Mudalige, Mr. Aruna Alwis, Secretary/ Chief Executive Officer and Mr. Sujeewa Rajapakse, President CA Sri Lanka.

CA SRI LANKA PRESIDENT SUJEEWA RAJAPAKSE PLEDGES TO TAKE ACCOUNTING PROFESSION TO GREATER HEIGHTS.

The new President of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) Mr. Sujeewa Rajapakse has pledged to take his Institute to greater heights, while declaring that no frontier is final for today's Chartered Accountants and the search for excellence will remain high on his agenda.

Addressing a packed house consisting of the country's business elite, CA Sri Lanka members, regulators and government officials at the Cinnamon Grand, Colombo on 17th January 2012, Mr. Rajapakse, who was ceremonially inducted as the 21st President of the Institute, in his maiden

speech underscored the need for accountants to work harder to become a better, stronger and more effective profession.

Making a solemn pledge to discharge his responsibilities to the best of his ability, Mr. Rajapakse told a room of nearly 600 professionals including Central Bank Governor Mr. Ajith Nivard Cabraal who was the Chief Guest at the event that, "The massive responsibility cast on my shoulders to lead CA Sri Lanka is both challenging and exciting. The confidence reposed in me by the membership was indeed a source of inspiration. I shall make every endeavor to ensure that this confidence placed in me is neither misplaced nor betrayed,".

He stressed that today the world is at a stage where demands and expectations are diverse and ever increasing. "We have reached a point where we need to respond more effectively to the demands of our stakeholders including our members and students," he said.

In his inspiring speech, the new President emphasized that serving multiple stakeholders who are all equally important to the Institute is far from simple, but despite the complexities, he assured utmost flexibility, transparency and fairness in responding to the stakeholders more effectively, while ensuring that the Institute falls in line with ever evolving global trends.

"Today employees are facing ever increasing expectations of discerning employers and clients. Working environment undergoes rapid changes and employees are expected to adapt to this scenario swiftly. Law suits against members for professional negligence are on the increase globally. The time is opportune to introduce safeguards in this regard. We should consider the creation of limited liability partnerships so that our practicing members will not be exposed to unlimited liability in an indeterminate amount. Effective measures in capacity building would also reduce the incidence of professional negligence. I urge the Practicing Accountants Forum to be active and deliberate on these matters and make appropriate submissions to the council," he noted.

Among his future plans, Mr. Rajapakse underscored that he intend emphasizing more on member professional development including focusing a considerable amount of time for Continuous Professional Development (CPD) activities targeting primarily Chartered Accountants. "Today we have to deal with new standards in financial reporting, governance, greater complexities in business transactions, and new technology. Education and training will be a top priority in my agenda with local and foreign resources," he said.

He also stressed that acceptance of responsibility to the public is what makes a professional different from others. "We must not shirk away the responsibility of accepting public office, although financial rewards are absent. Assumption of such office may entail public criticism at times but we should be immune to such criticism as long as our conscience is clear," Mr. Rajapakse noted.

He also disclosed that during his two year tenure steps

will be taken to activate CA Sri Lanka chapters particularly in Australia and U.K. for the professional development of the Institute's Members serving in those countries.

The president noted that 2012 is a significant year for the Institute for a number of reasons, among which was the country's convergence with the International Financial Reporting Standards.

"As the only body authorised to promulgate Accounting and Auditing Standards, this convergence spells out our commitment to be in line with global markets and developments.

Our duty is not merely to issue Sri Lanka Accounting and Auditing Standards and other pronouncements. We have to ensure that they are being complied with and companies including the SMEs sector understand the need for adopting such. The Institute has also organized various awareness programmes as a first step towards achieving success in this area," he announced.

He also cautioned that if Sri Lanka didn't watch its steps and ensure a practical action plan to steer the country, the country too could suffer from the adverse headwinds of a financial meltdown which the world witnessed not so long ago.

"Today we are witness to dynamic development in our country, new infrastructure facilities including a modern expressway, construction of new high-rise buildings, commissioning of large scale power plants and an amazing boom in our once faltering tourism industry.

Continuous Professional Development (CPD) activities targeting primarily Chartered Accountants.

Our country's ambitious progress also means competition has increased by many folds. With today's progressive trend, we are faced with new complex business processes, litigation and various new conflicts as we learn to survive in today's complicated and competition rigged world. These developments herald a new role for the Institute in this era. It is our responsibility to help manage these challenges with meticulous care.

As a responsible Institute, we understand and realize we have a role to play in the government's effort towards developing education in our country. It is true we have one of the highest

literacy rates in the region, yet there is a lot more that needs to be done. We suffer from a dearth of qualified professionals and this has to be looked into seriously," he emphasized.

In his concluding remarks, Mr. Rajapakse pledged that this will be the beginning of a new era for the Institute of Chartered Accountants of Sri Lanka; and the Institute will see vast strides of accomplishments and new developments over the next two years.



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BRANDING THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

In the first 30 years of the Institute, a chartered accountancy qualification was considered highly prestigious and an extremely good option for those students who were proficient in maths or were looking at a career in business and some of who may have

retrospective analysis of where it currently stood.

Positioning for the future

It was clear... whilst the Institute was able to attract the best minds in its early years, it was significantly less able to do so in the new millennium.

These alternative financial and accounting qualifications were also internationally accepted, providing global mobility.

There were more

missed out on entry to a local University. These were the halcyon days of the Institute when options were limited to students. By the 90's there was an emergence of not only alternative accountancy qualifications, but a plethora of new and exciting career options in IT, marketing, HR along with myriad tertiary education options both locally and across the world.

alternatives with a much less arduous process of qualification and which was being equally accepted by employers, which therefore had a natural attraction for students. These alternative financial and accounting qualifications were also internationally accepted, providing global mobility.

The Institute adapted to these changes through continuous updating of the syllabus to make it more relevant and establishing reciprocal arrangements with Institutes in other countries. It continues to forge these links amongst many other changes.

The critical question however, is the Institute still positioned to attract the best minds, so that it is able to extend its legacy in Sri Lanka for the next 50 years. Undertaking such an objective review was vital in order to ensure the Institute did not slip into mediocrity which, if it happens, will be a trend that would be extremely difficult to rectify.

Introspection

The Institute therefore undertook an extensive market research study from amongst its students, members and employers to quantitatively understand where it stood, where it was excelling in, and understand its performance gaps. This was set in the context of the business environment in which it was operating through an analysis of the key drivers in this sector, linked to its perceptual performance. Note that there can be differences between the actual and perceptual performance with the latter being the view that is held by its stakeholders which is determined by myriad influences. Whilst the actual performance is relevant to the day to day operations and current viability of the business, the perceptual performance determines future sustainability

The role of the Chartered Accountant in business had also changed dramatically from "managing the books" and analysis of the past to the current role of anticipating the future. Its role and influence as the regulator of financial management has also strengthened significantly.

So, the business context that the Institute now finds itself is very different to that in its formative early years.

Whilst the Institute has undergone tremendous changes to keep abreast of these changing times, there was still a need to take a deep

as it is directly linked to the assurance of generating future revenue to the enterprise.

The “driver” analysis linking quantitative performance of the Institute relative to that of the key competitors, provided an excellent snapshot view of where it stands. This score card also enables continuous measurement of performance to be undertaken, and to hold the management responsible for focusing and driving the business in the future.

The elements of the brand

The insights from the research can now be used to draw up a relevant and structured brand, based on the market drivers, the core strengths of the Institute and the opportunities that surfaced through the detailed analysis.

Constructing a brand through a fact based analysis takes away the ambiguity and gut feel, and places the entire process in the realm of facts, specially if there is statistical validation.

The brand connotes the basis on which the entire organization operates, in that, it can drive employee behaviour and establishes the products and services of the Institute. A clear articulation of the brand is therefore a useful compass which directly influences behaviour and actions. The challenge is to align the systems, processes, plans and behaviour to

The emphasis on the word “chartered” in the trademark was done deliberately to consolidate an inherent core strength of the Institute which was discovered through the extensive analysis that was carried out. Despite the existence of many chartered Institutes, the “chartered” word uniquely belonged to the Institute of Chartered Accountants which is being subtly endorsed in the new trademark.

support the ideal brand, based on the identified market and customer opportunity. A good example is Brandix, which has established speed service as one of the key service deliverables to its customers. This is delivered throughout entire business processes and is a part of the culture of the organization, which in turn directly influences the values of the brand. Reinforcing what the brand is thus all about enabling employees to deliver

on this promise.

This is easier said than done. And there have been many attempts to do this, with many consultants reports gathering dust on the shelf ! The challenge, as always, is to propel this into actions.

The collective force

The only way that strategy could be turned into action is through the engagement and involvement of the highest decision making body – the Council.

The statistically valid, fact based analysis established the need to reposition the Institute in line with emerging trends and to take on the new opportunities. The facts once presented needed to be acted on, and there was collective agreement that it needed to be done, and done very rapidly. It was evident that the brand delivery was not just a communications exercise. The organization needed to not only live the brand on a day to day basis, delivering on stakeholder expectations, but to also inculcate new business initiatives and re-align the structure of the organization itself.

Such radical change needs the conviction and support of the key decision makers, not just for the current or next year, but most importantly from the future leaders of the Institute, all of which were achieved.

The brand as an agent of change

In modern business with value generation at its core, the brand plays a central part of that business in terms of establishing what it stands for and creating a point of relevant differentiation relative to the competition. Its role is to be able to command and push towards revenue generation preferably at a higher price differential. It is a rallying point for stakeholders who would instinctively understand what the brand stands for the instance they see the trademark as the values and experiences are integrated into it, just as in the

Strategy could be turned into action is through the engagement and involvement of the highest decision making body

Brandix trademark.

The new strategy called for a radical change in terms of what it stood for, the service delivery and therefore the trademark itself. These were therefore the changes that were undertaken internally and externally.

The brand is only as good as its products and services that it offers and so a three year business strategy was developed to consistently drive the process forward. The organization must also be structured to be able to deliver on the brand, and issues with alignment and a reorientation of the culture were identified as a necessary part of consistently delivering the branded experience. With diverse stakeholders with different views, this strategic approach prioritizes the most important groups and establishes where focus is most essential, whilst not alienating others.

The CA Sri Lanka brand defined

In keeping with global trends, the national body of accounting in each country were switching to using the CA acronym. The Council was of the view that this would be opportune to align our own Institute to this international trend.

In line with the new brand positioning, a new trademark was designed to reflect this new direction. The emphasis on the word “chartered” in the trademark was done deliberately

to consolidate an inherent core strength of the Institute which was discovered through the extensive analysis that was carried out. Despite the existence of many chartered Institutes, the “chartered” word uniquely belonged to the Institute of Chartered Accountants which is being subtly endorsed in the new trademark.

The trademark was developed around three elements, the scales, pen and shield. The shield symbolises guardianship of standards and ethics as well as care and support to its members and students; whilst the scales and pen reflect balance, education and regulation. This dynamic new identity delivers a message of dependability, continuity and professional strength.

The entire new visual identity system that was developed around this trademark aspires to redefine the Institute's prestigious legacy to reflect its future ambitions in its efforts to continue to strive to capitalize on the opportunities and deal with the challenges it faces in today's dynamic business environment.

The end goal

The Institutes goal is to set high expectations for itself, which is expected to translate into greater value to its stakeholders. This is the only way to ensure that its leadership is retained amongst the new emerging generation of students and continues for the next 50 years – thereby establishing itself as the benchmark for tertiary financial education in Sri Lanka.

RUCHI GUNewardENE

*Managing Director, STING
Consultants & Brand Finance Lanka*

Ruchi Gunewardene is a Honors Graduate from the University of Bath, UK. He worked for several multinationals (The Coca-Cola Company Region office, GSK, J Walter Thompson and Reckitt Benkieser) before setting up his own brand consultancy in 2002. Ruchi is also the Non Executive Chairman of Odel.



ACCOUNTANTS' ROLE IN PROJECT MANAGEMENT

Background

Sri Lanka is a relatively tiny developing country which needs more foreign resources for its accelerated development activities. The internal funds are insufficient to undertake large capital investment projects. As such substantial number of foreign aids comes to the country for specific activities mostly in the form of loans and grants. These specific tasks have been known as project since it has a define beginning and end.

Foreign funded projects in Sri Lanka are carried out by multy – lateral agencies (World Bank, ADB, etc) and by lateral agencies (NORAD, SIDA, CIDA and JICA). The beneficiaries and target groups on these development projects include small farmers, rural poor, fishermen, woman headed house hold, disable people, disadvantaged group and people living in the backward areas. If Sri Lanka is to fast tract and

Preamble

In the midst of complexities that prevail around us, an active professional who is going to be involved in foreign funded project activities will have to have minimal exposure on private sector as well as on public sector systems and procedures. Such professional will have the maturity to handle works speedily under pressure, which is a general phenomenal in Project Management.

Private sector has the main objective of maximizing profits where, government sector has an objective to maximize benefits to the economic as a whole. In this context each foreign funded project plays a vital role in the process developing the country. Project management requires more than just a skill set. Especially when it comes to managing large projects, a blend of knowledge, skills and hours of experience are needed. Really it is an overall management

of people, tools and systems.

Project Management

Project management is not a small task. Project management simply revolves around allocating money, time, and people in a way to

<i>TYPE OF AID</i>	<i>TERMS</i>	<i>FORM OF AID</i>
<i>Project Aid</i>	<i>Loans/ Grants</i>	<i>Cash , Equipment, Material and Technical assistance</i>
<i>Technical Assistant</i>	<i>Loans/ Grants</i>	<i>Scholarship, training facilities and service of expert</i>
<i>Commodity Aid</i>	<i>Loans/ Grants</i>	<i>Value of commodity , equipment supply, etc</i>
<i>Programme Aid</i>	<i>Loans/ Grants</i>	<i>Financial assistance for specific programme</i>
<i>Balance of payment support</i>	<i>Loans/ Grants</i>	<i>Foreign exchange assistance from donors.</i>

economic agenda of ten percent plus and the leadership taken by the private sector, this new Project Management skills becomes more important. In developing countries small and medium projects are very common. Generally, category of foreign aid could be illustrated as follows.

In this regard Accountants have a critical role to play in the areas of project fund management, disbursement procedures and preparation of Management information reports. In fact these tasks to be performed with due care and expertise.

achieve a pre-determined object. A point highlighted was that project management in today's world as now progressed from just delivery of result to responsible delivery, meaning, delivering the triple bottom line namely profit, people, and planned.

Further it is an intelligence integration of various discipline and skills involving human-fitting technologies.

The question comes in to the mind with regard to why Project Management is necessary? It is necessary to take

of the opportunities of modern society and to deliver right benefit to the client on time through budget and quality. Basically it is the application of knowledge, skills, tools, and techniques to project activities to meet project requirements. Project is successful

when it achieves its objectives and meets or exceeds the expectations of the state holders. Project management can be very stressful at times. Only a happy and an empowered team will achieve the required end result.

Project Financial Management

The Project Financial Management is a process which brings together planning, budgeting, accounting, financial reporting, internal control, auditing, procurement, disbursement and the physical performance of the project with an aim of managing project resources properly and fulfilling the project development objectives. In other words, financial management of projects is the action taken to mobilize, employ and control financial resources invested in a project. This includes securing funds, preparing detail budget, forecasting, controlling expenditure, establishing procedure for receiving and disbursing funds, instituting and running project accounting system and auditing of project expenditure accounts.

Project implementation and financial management are closely linked. The Financial Management cycle of budgeting execution, accounting and reporting is linked with project cycle of planning, implementation, recording of result and reporting. Financial Management support project management and helps to assure that resources go towards the successful

completion of the project and are not wasted.

The followings are the Financial Management tasks in relation to the project implementation.

1. Establishing a detail, time, phased financial plan, including a project budget and cash forecast.
2. Establishing and maintaining a project accounting system
3. Establishing with donor, suitable procedures for disbursing loan funds
4. Certifying invoices, bills, SOE's for payment
5. Establishing procedures for Project Audit and
6. Preparing financial report and statements

A Financial Manager or an Accountant of a project is responsible to Project Director or Manager,

1. For the preparation of a financial plan including a project budget,
2. For the maintenance of project accounts, cash book, expenditure accounts, ledgers, journal and preparation of periodic and annual project financial statements for auditing,
3. For the performance of such project business matters as invoices, payments, billing commitments, record keeping etc, and
4. For the recording and reporting of project costs.

Annual accounts of each project duly audited by the Auditor General are required to be furnished to the Donors, especially where the covenant that effect appears in the loan agreement. Accounting records should therefore be maintained in accordance with the accepted accounting principles on an accrual basis.

Duties & Functions

The functions of a Project Accountant could broadly be classified under the following captions

a) Financial Control

Internal control aspects

- Any transaction should go through at least two persons
- Income should be taken when signing a withdrawal application
- Regular internal check
- Internal audit procedures

Accounting

Accounting records are being maintained on double entry system and periodical financial statement have to be prepared on generally accepted accounting principle taking in to consideration the components with break down and project requirements. The basic features required in an accounting system of a project are as below.

- Classification of transaction should follow the pattern in the project report.
- Every implementing agency as well as the controlling agency should prepare a balance sheet
- Expenditure should be classified on the pattern given in the project report and the credit agreement
- Controlling agency should prepare a consolidated balance sheet if applicable

Maintenance of Bank and Accounting records

There are three types of bank accounts to be opened, these are,

- US dollar account with Central Bank-First generation accounts
- Bank accounts open in the district where PMU is situated-Second generation accounts
- Bank accounts operated by sub project- Third generation accounts.

Type of accounting records includes Cash book for imprest fund (Finance code 12 and 14 or Finance code 13 and 15), Cash book for domestic fund (Finance code 17), Vote ledgers, Sub imprest register, Withdrawal application register, Replenishment register, Reimbursement claim register, Register of Bank guaranties and Letter of credit (L/C) register.

Further it is the practice in private sector to enter in to forward exchange deals on foreign currencies with banks which would

be utilized ultimately for settlement and importation of bills.

b) Reimbursement claims

Claims should be serially numbered and made in the form prescribed by the Donors, in the respective Aid agreement. Copies of the reimbursement claims forwarded to Donors should be submitted to DGSA and DGER. Payment over one hundred thousand dollar should be supported by relevant documents. Instances where RFA projects obtain imprest from the Treasury for their expenditure and claim reimbursement through special dollar account in the central bank, such reimbursement will be made from this special dollar account to the DST's accounts.

Project management is not a small task. Project management simply revolves around allocating money, time, and people in a way to achieve a pre-determined object.

c) Preparation of Final Accounts and send to Audit

Type of financial statements to be prepared:

Monthly

- Monthly listing of loan disbursement
- Monthly Summary of Accounts
- Monthly Balance sheet
- SOE sheet
- Cumulative expenditure report
- List of expenses not yet claimed

Quarterly

- Quarterly SOE sheet
- Reimbursement and replenishment positions

Yearly

Annual financial statement of project should depict performance including income and expenditure statement, sources and application of fund and balance sheet. A detail Annual Budget is useful for good Financial Management & Accountability and for learning and monitoring the activities.

Skills that are necessary for a Project Accountant.

General management skills, Communication skills, Organizational skills, Budgeting skills, Problem solving skills, Leadership skills and Human resource skills.

Type of project documents that a Accountant should be familiarized with :

Project accounting staff should study, understand and familiarize themselves with the following project documents.

- Memorandum of understanding (MoU) and Financing Agreement
- Cabinet memorandum and its approval
- Guideline of the donor/agencies
- Relevant circular on foreign aid accounting
- Financial regulations of foreign aid
- Hand book on disbursements
- Hand book on consultant
- Letter of credit agreement

Further under the loan/Credit agreement, the following provisions should be looked in to:

Objective of the project, financial plan & agreement, loan component category and items, date of effectiveness of the loan, project period, delegation of authority, repayment period installment and interest, sub loans if any, use of imprest fund & limits and closing of the loan.

Agencies to be dealt by Accountants

Donor agency

External Resource Department

Line Ministry

Executing agencies

General and Provincial Treasury

Sub contractors

Central Bank and other banks

NGO's

Consultants

General terms and methods to be conversant

Reimbursement Procedures

Reimbursable Foreign Aid (RFA) refers to expenditure

disburse in local currency against provision under RFA in the general estimate. This is reimbursable by the Donor agency in accordance with the conditions stipulated in the loan/ grants agreement. The procedures for withdrawal of loan have been standardized to facilitate disbursement.

Disbursement is classified in to four types as indicated follows.

- o Direct Payment

This generally applicable for the following payments - Part payment of large civil works consultancy, importation of goods under letter of credit procedure and training.

- o Reimbursement

Where has been incurred locally for which reimbursement can be claim for the eligible percentage using the donor's withdrawal applications.

Where as special dolar account is operated for reimbursement of the expenditure incurred from RFA imprest of Treasury, withdrawal should be made from this account to reimbursement DST. Application for the withdrawal should be made to Central Bank through DGSA and reimburse to DST account in Central Bank.

- o Commitment

This method is adopted to get Donors to assure a payment to a party. Generally through letter of credit procedure, where large containment of goods are imported.

- o Use of imprest funds

This is the special procedure employed by the donor to provide adequate follow of funds to the borrower for financing eligible project expenditures and to expedite project implementation. Under this method, donor provide money in advance to executing agency to meet authorize expenditure. This fund can also be used to finance training, air fare, tuition, accommodation, premium, etc..In order to account for the amount expended from the imprest fund a liquidation application should be send to the donor. This is done by

submission of liquidation / withdrawal application. The project shall refund to the bank, any amount outstanding in the project account without been utilized.

Special dollar account

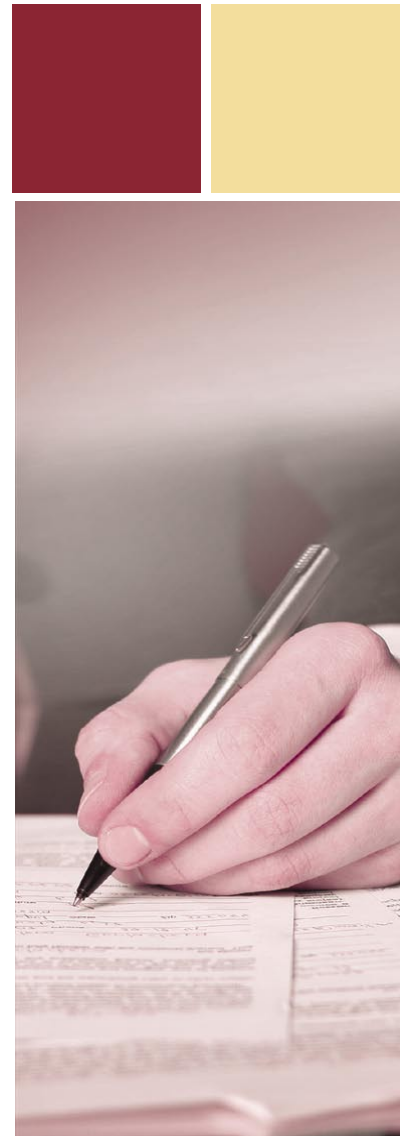
In order to facilitate adequate flow of funds to the projects and to expedite project implementation, the donors remit a portion of the procedures of the foreign aid to a special foreign currency account in the central bank. Where the foreign currency accounts are on a revolving basis 'replenishment application' should be forwarded monthly subject to the condition laid down in the agreement. Where agreements are made for RFA expenditure to be met from imprest granted to Ministry /Department by the treasury on a reimbursement basis from the special dollar account, project implementing agencies should submit 'withdrawal applications' and ensure that reimbursement are made promptly to DST's account in the central bank. Where the special dollar account is not on a revolving basis, action should be taken to liquidate the advances obtain.

Disbursement procedure

This could be analyzed under the following headings:

- Basic requirement for disbursement

Send disbursement letter, open bank accounting bank books, receipts of authenticated specimens signatures and loan



declared effective.

- Withdrawal application form in two copies with SOE, supporting documents, etc.

Common causes for delay in loan disbursement

- Lack of authorization for signatories
- Incomplete payment instruction
- Incomplete supporting documents
- Non-compliance with procurement procedures
- Inclusion of tax / duties
- Inclusion of ineligible items
- Non submission if signed contract document and subsequent variation

Important aspects an accountant should know

Procurement procedures

This refers procurement guide lines of foreign funding projects. Borrower has obligation towards funding agency to ensure that process of its financing are used with due attention to considerations of economic and efficiency. Commonly used

procurement methods include International Competitive Bidding (ICB), National Competitive Bidding (NCB), Limited International Bidding (LIB), International shopping, National shopping and direct contracting. In addition, the following salient points also to be noted.

- Application of domestic preference criteria
- Repeat order procedure
- Grading of constructors given by ICTAD
- Application of Liquidity damages

Generation of reports:

- Access to web site information
- Provides PCSS number and W/A status-Paid/Pending

The Accountant should also familiarize with the following financing codes.

- Finance code 11 – Consolidate fund
- Finance code 12 - Foreign aid- Loan
- Finance code 13 - Foreign aid- Grants
- Finance code 14 - Reimbursable Foreign Aid –Loans
- Finance code 15 - Reimbursable Foreign Aid – Grants
- Finance code 16 – Counter-part funds
- Finance code 17 – GOSL fund

Disallowed expenditure

The above problem may arise due to the following reasons:

- Expenditure being not eligible
- Insufficient fund in the line item or category
- Prior approval not being obtained
- Exchange rate difference
- Non submission of related documents &
- Non harmony with the loan agreement

Following accounting procedures are possible to solve the above issues.

- If possible, try to claim without delay
- If not, it should be transferred to DF or correct financing source
- If the expenditure had been met from Imprest fund, action should be taken to settle the related amount to the implementing agency.

Accounting for revaluation

- This results when the currency appreciation takes place on SDR against US dollar and US dollar against Srilankan rupees.
- Projects should make necessary records in the book to accommodate revaluation effected by the CBSL at the end of each month.
- It should make entries in the books for total revaluation (gain or loss) and it should be known in the final account as a separate item.

Special attention should be given on the following areas.

- Whether books are maintained according to generally accepted accounting principle.
- Whether the withdrawal or reimbursement make are keeping under the credit agreement requirements.
- Whether the funds obtained under the credit have been applied for the purpose indicated.
- Whether equipment, material etc, received are being utilized for the project.
- Whether other conditions laid down in the credit agreement are complied with.

Some Audit aspect the Project Accountant should know

The Audit objective in a project environment has two folds, namely :

1. Report to Parliament
2. Satisfy the requirements laid down in credit agreement

Generally the auditors pay special attention to look for the following requirements:

- Statutory requirements
- Lending requirements
- Agency requirements
- Annual estimate
- Project reports

References

Budgetary controls in the public sector- by Department of State Accounts
Government accounting manual-by Department of State Accounts
Managing projects effectively-by project management solutions Ltd, and
articles of news papers & magazines.

T.SIVANANTHAKUMAR

FCA, LIMIS(UK), PGDM (Pub Admin), APFA

T.Sivananthakumar is a Fellow member of CA Sri Lanka and at present, he is attached to the Eastern Provincial Council of Sri Lanka as a Director, Provincial Treasury. He has over thirty three years of experience including foreign projects and multi national companies.

Problems identified by donors

- In Srilanka typical annual disbursement rates are below twenty percent.
- In the majority of developing countries the overall annual financial and physical performance of foreign funded project is weak
- Lack of understanding about Donor Procedures
- Underutilization and implementation delays.
- Mixing of funds.
- Lack of proper guidelines and producer.
- Absence of well-designed monitoring system.
- Lack of follow up after completion.

Conclusion

Effective project management is difficult even with the best controls and systems. With the associated methods and techniques can produce desire result in that they themselves are not sufficient for effective project management. Accountants should become increasingly oriented to new technology, electronic communication, and operational research and management philosophies. Therefore accountants will have to go beyond "Basic Accounting" and recharge and refresh their knowledge and skills- both hard and soft. Then Project Management would be challenging & fascinating and in this aspect an accountant could contribute immensely towards successful implementation of the project.



IS THE INVISIBLE GLASS CEILING IMPREGNABLE ?



The glass ceiling

The term 'glass ceiling' was originally coined in an article written by Carol Hymowitz and Timothy Schellhardt on the 24 March 1986 edition of the Wall Street Journal. The piece referred to the invisible barriers that impede the career advancement of women in the American workforce.

Some of the questions that come to mind are:

- why do salary surveys reveal that women are paid less than their male counterparts?
- why do women fall back in the corporate ladder after outperforming male peers at university?
- do women concentrate too much on working hard, and insufficiently on networking?

The issues for women

The traditional woman preferred to stay at home and look after the family. However, the present economic environment, coupled with expectations of higher living standards, has resulted in an increasing number of women seeking jobs to earn a living. Women in general have two main issues; Balancing work and family and being recognized at work in a managerial capacity in a male dominated industry

The dual role of career woman and wife and mother means juggling two to three roles in a day. McKinsey's report on 'Women Matter', highlights this as the 'double burden syndrome'. Today's careers are not restricted to nine to five. Occasionally, you're required to attend meetings, seminars and cocktails well past traditional work hours. Guilt creeps in when you have to leave home for a long time. We wonder - is this worth it? Do we miss seeing our children growing up? Neither are we satisfied just being housewives. The years spent on higher education are not put to full use. One cannot afford to take a career break, as there may not be suitable job opportunities when you want to rejoin. Knowledge also changes rapidly. There is a risk of becoming obsolete if you take a career break.

How should we strike a balance between work and family?

Good time management is essential, and family support is a bonus. Organising the day and giving priority to the most

Keys to success

Take on additional work and responsibilities

Build networks within / outside the organization

Promoting your teams achievements

Participate in training for leadership skills

Volunteer for cross functional / high profile projects

Identify a role model to learn from

Regularly seek to change employer to gain promotions / experience

Have a mentor to advice /represent you

Seek internal experience

Take advantages of employer work-life balance initiatives e.g. flexible working

Source : the CIMA centre of excellence at the University of Bath school of management

important tasks is a must. Devote 'quality time' to your family. The Asian woman is fortunate to have the immediate family - parents and in-laws - to support her in looking after the kids while she is at work.

How can you stand out from the crowd in the workplace?

Working hard and putting in long hours is not the only way to advance your career. Build a good reputation in your company, take up challenging assignments, and pursue higher education to become a rising star.

Showing your skills set

In today's context, soft skills (for example good PR and communication skills) are becoming more and more important than paper qualifications. Women need to portray an image of confidence to their superiors and colleagues. Leadership skills needs to be developed. Ensure you have a vision with a clear strategy, the ability to inspire and lead your team, and an awareness of when to show empathy. You need not be a 'yes' person to your seniors, but disagreement needs to be conveyed in a polite manner. Always uphold your integrity and values. Think twice before saying 'no' to an opportunity given by your bosses, even if it is outside your comfort zone. In order to succeed, you sometimes need to take calculated risks. Networking is crucial in today's business world. Devote

time to building networks with your fellow colleagues in your profession. Understanding of different cultures, particularly when dealing with foreign business partners, is also highly important.

The University of Bath school of management recently summarized the strategies for career development in business as below:

Strategies for career development

The glass ceiling can be broken, so be assertive and confident of your skills. Develop the ability to speak out in meetings. Be passionate of your career goals, with a role model or mentor to guide you. It is critical to be

a 'team player'. Most finance professionals are at

loggerheads with marketers in pruning their sales and advertising budgets. Therefore, you need to look at the big picture and what it takes to increase revenue, rather than just concentrating on cost cutting. Remaining solely in finance can also be a hindrance; explore the possibility of switching to general management or marketing in order to help you reach the top.

A good mix

McKinsey research has shown that companies with 30% or more representation at board or senior management level produce the best financial results. A combination of men and women helps ensure better decision making, as women bring in a different dimension when seeking solutions for complex business problems. 'Boards with 30% or more female representation produce the best results'. Many corporate

videos are becoming more emotive, revealing how their products and services are touching human lives. Gone are the days where the corporate video's were product centric. Significantly, women are the driving force behind 70% of purchasing decisions, even in traditional 'male' product areas such as cars: for example, research has shown that women influence 60% of new car purchases in Japan.

Naturally, not all women may want to reach the top (which is actually quite a lonely spot); they may opt for middle management careers. It is however clear women should be better represented in decision making roles in the corporate arena. Let us hope that more aspiring women are able to take up leadership roles in the business world in the future, finding the ability to strike the right balance between family and work.

MANOHARI ABEYESEKERA

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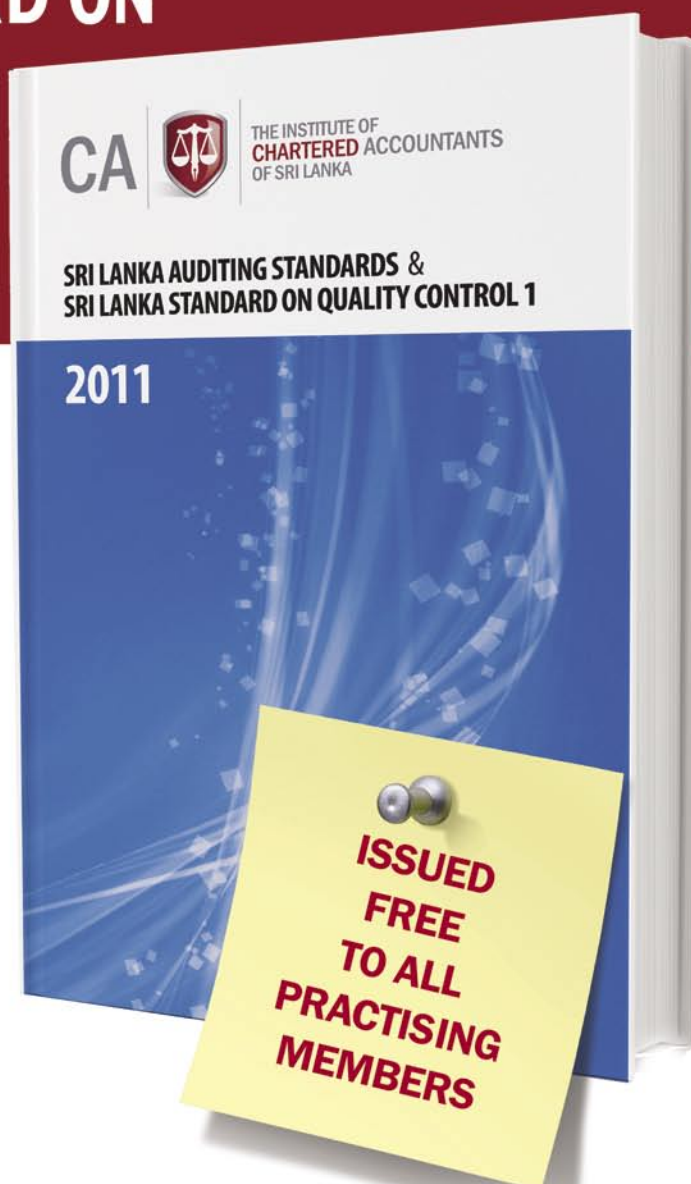


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FUNDAMENTAL CONCEPT OF GOING CONCERN IN CURRENT ECONOMIC DOWNTURN

Auditors should consider Going Concern of the entity when conducting audits in this economic environment, most notably characterised as the “Credit Crunch”. In their audit reports, it must make sense to the various classes of interested parties which are using information from his report that the Auditing Practices Board issued a bulletin entitled “Going Concern Issues during the Current Economic Conditions”.

Since then the economic environment has deteriorated, entering a period of world recession. The economic atmosphere leads to:

An impact on the recession of a Company’s own business and customers and suppliers’ companies’ recession, also lenders are generally unwilling to make sufficient funds available. This situation creates a number of tasks in regards to the preparation of Financial Statements.

The APB Bulletin notes that the current situation does not necessarily mean that a material uncertainty exists about a company’s ability to continue in existence as a Going Concern. Auditors should include a Going Concern paragraph in every financial statements audited, as a simplistic way of adhering to these additional guidelines.

It serves as a reminder for auditors that there are a number of factors to be considered and certain requirements contained within the ISAs (UK and Ireland) which must be met when carrying out audits.

Mitigate uncertainty

This is the simple way; the adverse factors may be mitigated by other favourable factors. For example, the effect of an entity being unable to meet its debt repayments in time from current operating cash flows may be offset by the management’s plan to maintain adequate cash flows by other means, such as the sale of assets, postponement of loan repayments, extending longer period of paying trade creditors or issuing additional share capital. Similarly the loss of a major supplier may be mitigated by the availability of another suitable source of supply. Where an entity contends that it has

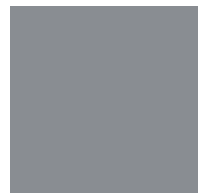
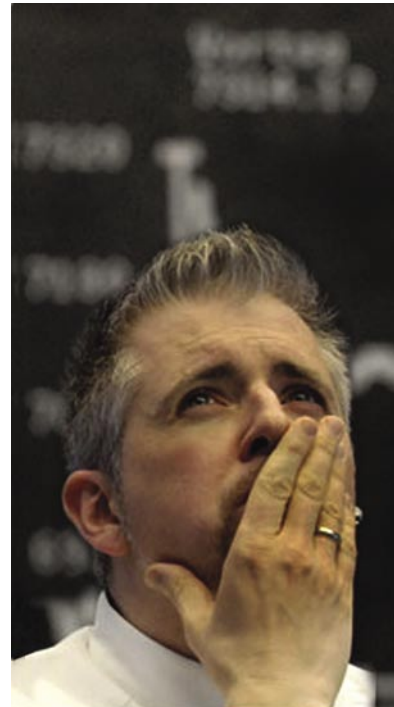
alternative plans to overcome any adverse factors the auditor assesses the effectiveness of such strategies and the ability of the management to execute them.

Directors’ requirements

ISA (UK and Ireland) 570 requires the auditor to consider the suitability of the directors’ use of the Going Concern assumption in the preparation of the financial statements, and consider whether there are material uncertainties about the entity’s ability to continue as a Going Concern that need to be disclosed in the financial statements. Company directors are required to prepare a set of financial statements which comply with accounting standards and show a true and fair view of both the results and position of the company. They must also:

- Make an assessment as to the company’s ability to continue as a Going Concern and
- Disclose any uncertainties that they are aware of when making this assessment which may cast doubt on the company’s ability to continue as a Going Concern

In order to meet this requirement the audit procedures will comprise of the following elements shown below:





Planning

Risks arising from current economic circumstances are likely to impact a number of different aspects of the financial statements, for example,

* the economic conditions may impact matters such as inventory obsolescence,

* goodwill impairments and cash flows,

which may in turn affect whether the company is a Going Concern? It is important that audit judgments on such matters are based on consistent underlying information and views.

Directors' assurance on Going Concern.

Evaluating the Going Concern assumption involves making a difficult judgement, at a particular point in time, about the future outcome of events or conditions which are inherently uncertain. Generally, the degree of uncertainty associated with the outcome of an event of condition increases the further into the future a judgement is being made about the outcome. When making judgement, one should consider future events, based on available evidence and sensible assumptions about the outcome of the future happenings made at the time at which the judgement is made.

Acceptability of disclosures

Broadenings in accounting standards, containing those

relating to liquidity risk, taking into consideration of current economic conditions can be expected to give an impotency to a greater number of company annual reports and accounts covering liquidity and Going Concern related disclosures.

The update for Directors emphasises the importance, in the current economic conditions, of appropriate disclosures regarding liquidity risk and uncertainties. In its Appendix, it provides three illustrative examples of how directors might explain their Going Concern conclusion in a manner that would facilitate an understanding by readers of annual reports and accounts.

- Obtaining external finance
- Management plans to overcome financing difficulties include disposal of assets or possible rights issues
- Future cash flows Understandability of the financial statements, by users depends on the quality of information made readily available in the Financial Statement. Auditor's disclosure should consider whether the notes to the financial statements together with the primary financial statements present a true and fair view.

The understandability of the disclosures is an important factor in determining whether the financial statements give a true and fair view.

Material uncertainty of the events or conditions

The current Accounting standards do not define what constitutes a "material uncertainty". However, determining whether a "material uncertainty" exists can be assessed by involving: Probability of events or conditions occurring and its impact on the business activities in overall.

Making an assessment of these elements may require a very high degree of judgment both by the directors and subsequently by the auditors depending upon the individual situations of a company or and its group.

Possible events or conditions which may give rise to business risks, that individually or collectively may cast substantial doubt about the Going Concern theory are set out in ISA (UK & Ireland) 570 paragraph 8, these include:

- A net liability or current liability position of the Company or its group

- Current Negative operating cash flows
- Fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment, or unnecessary reliance on short term borrowings to finance long term assets
- Major debt repayment falling due where refinancing is became necessary to the entity's continued existence.
- Failure to comply with the terms of loan agreements signed or to pay creditors on agreed due dates
- Loss of a major market share, franchise, licence or principle supplier

Conditions that may affect Going Concern at a glance

The main possible events and conditions that may affect the auditor's assessment of Going Concern are listed below:

Obtaining external finance:

- Company has experienced difficulties in the past in obtaining external finance facilities and/ or complying with the related terms of the loan.
- Borrowing arrangements or executor include clauses relating to debt covenants or subjective clauses that trigger repayment.
- Entity has breached some or all of the terms or covenants or both giving rise to the risk that the facilities may be withdrawn or not renewed by the lenders.
- Funding facilities are due for renewal in the forthcoming year – Management have no contingent plans for alternative arrangements should current facilities not be extended.
- Loan facility is secured on assets (e.g. immovable Assets)

that have decreased in value below the amount of the facility.

- There are significant doubts about the financial strength of the entity's bankers.
- When financing is provided by syndicate of banks and other financial institutions and there are concerns about the viability of one or more members of the syndicate.

Entity's idea to disposal of assets to overcome financing difficulties includes possible rights issues of share capital:

- This situation arises when the management has no plans developed prior to current market conditions.
- Management does not hold sufficient evidence that they can realise the assets at the values arising from planned disposals.
- Obtain the support of shareholders in relation to a rights issue.

Entity provides significant loans of guarantee to the lenders:

- Lenders that may be called in the guarantees.
- Entity may be unable to make payments.



Future cash flows:

- When customers taking longer or unable to pay, create a reduction in cash flows resulting from unfavourable economic conditions.
- Increased in Interest Rates and Finance Charges are becoming more difficult to comply with.

Entity heavily dependent on one or a few suppliers and customers:

- Suppliers facing financial difficulties providing essential goods/services and situation arises that Entity unable to find alternative suppliers.

Conclusion

Directors need to start considering the issues involved for their entity now and consult with entity's auditors well in advance of the audit to avoid any nasty surprises. Auditors will be seeking detailed evidence on which to base their assessment of Going Concern and directors and management should ensure that this information is readily available, in order for the Auditor to express his/ her opinion on Going Concern.

Source: APB, ICAEW guidelines and IAASB.

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THE VALUE OF TEAM WORK

I was watching 4x100 men's relay of 2004 Olympics, live on the television. Few days earlier 100 meters event was held. Justine Gatlin of USA came first and the legendary Morris Green of USA came third. Shawan Crawford of USA, who was the gold medalist of the 200m, came fourth. In the relay team of USA in addition to these men, there was another person called Coby Miller. British team was comprised of four average persons.

Everyone thought that the USA team would win. I was shocked to see that the British team won the game. I was even more shocked to watch the lousy batten change of the US team. At the end of the event a journalist interviewed the US team. They were giving satisfactory answers about their individual performance. Finally the journalist asked the team "Hey guys are you satisfied with the second slot?" Team was nonplussed.

Timing of the British team was 38.07 and that of the USA team was 38.08. Timing of the relay is lower than the combined individual timing since there is no starting up time other than for the runner of the first lap. Recorded timing of the both relay team members of the 100m final and of the preliminary events are given below. Morris Greene was the gold medalist of the 100m event of the previous Sydney Olympics and his timing was same in 2004 as well.

USA

Shawn Crawford (9.89 Final) ,
Justin Gatlin (9.85 Final),
Coby Miller (Not available)
Maurice Greene (9.87 Final)

UK

Jason Gardener (10.12 Semi Final, Heat2)
Darren Campbell (10.35 Round1, Heat1)
Marlon Devonish (Not available)
Mark Lewis-Francis (10.28 Semi Final, Heat 1)

What went wrong? US team was focusing on the individual performance and their performance was very poor in the batten change in general and in the change between Justin Gatlin and Coby Miller in particular. When questioned by the journalist after the event the US team was focusing on their

individual performance and not paying any attention to the batten change.

To win a relay, there should be a team spirit. Team spirit is based on trust, understanding, cooperation and coordination. There was lack of trust among the US team members and that is why they look back prior to the batten change to see whether the other member was running closer.

It was proved without any doubt that to win a relay, a team with real team spirit is needed. Results can be achieved even with average members. It is not necessary to have high performers. If there are high

performers and if there is no team spirit, the result would be poor.

To win a relay, there should be a team spirit. Team spirit is based on trust, understanding, cooperation and coordination.

The same principle can be applied to business as well. The businesses we are running are not about rocket science. An average person can understand the mechanism. If there is a good team, results can be achieved easily.

I know one organization where at that time the team spirit was at very low levels. There was no proper coordination between the sales team, production



team and the purchasing team. The ignorant Chairman of the company wanted to increase the market share of the raw material purchases and this was conveyed to the Purchasing

Most of the organizations prefer to recruit high performers at various levels. When one is a high performer there is a lesser possibility for him/her to become a good team player. High performers are very often associated with high egos. They are individualists in general not collectivists. When one is having more achievements one's ego strengthens more. To become a good team player one has to control one's ego to a considerable extent. One has to trust the associates. One should be humble enough and willing to be dependent on the associates. The leader of the organization has to play a very creative roll if there are high performers in the payroll of the organization. The responsibility of the leader is to bring all these high performers together. If they are allowed to perform according to their wishes, they will focus on running their lap and not on the batten change.

Performance based pay can be effectively used as a tool to promote team work and to strengthen the batten change. Goals can be set in order to monitor the batten change. If the batten change is not done properly, indicators should be set to identify the lapse. Indicators can be set to identify whose lapse it was. In order to achieve best results the responsibility should be with both parties for the batten change.

There are limitations of the tools like performance based pay. Developing team work is an art not a science. It is the responsibility of the leader to promote team work. Team spirit is a feeling that the members of that team are having. It is a sense of belonging, inter dependency and cohesiveness. It is a strong family like feeling of love and friendship. Team members should understand that the final goal can be achieved if and only if they work all together.

Sri Lankan society in general is collectivist compared to the individualistic American or British societies. Individualism vs. collectivism is defined by Geert Hofstede as follows. "Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism, as opposite of Individualism, pertains to societies in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty." It is proved that when the income level goes up, there is a tendency to move from individualism to collectivism. When promoting team work the leaders of the organizations can use this cultural bias in Sri Lanka positively.

In Sri Lankan society there are various formal and informal groups. There is a tendency to form a group or a clique consisting of close associates. Leaders should use this

Manager. His performance was monitored based on the quantity he purchased. Incentives were given for the quantities purchased. Quality aspect was ignored and the production was hampered. Higher prices were paid for the raw materials and the production could not be sold at a margin. The result was a massive loss to the company. The leader was not capable of coordinating the operation.

Focus was on the performance of the individual and there was no focus towards the batten change. It was not monitored at all.

Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family.

Collectivism, as opposite of Individualism, pertains to societies in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty.

tendency to have cliques comprising of various departments and finally comprising of the whole organization.

Japanese management tools like 5S or Kizan are finally promoting collectivism and team work. The rituals associated with 5S encourage the members of the whole organization to work together for a common goal. The informal behavior promoted will encourage greater ties among the members of the organization. This breaks the formal relationships among the staff members which are rigid and promotes the informal relationships which are flexible and strong. Good leaders promote team spirit by organizing informal events where interaction within the staff members is promoted.

What is more important is having a team spirit. Having average individual performers with good team spirit is superior to have high individual performers with poor team spirit as very strongly proved by the US 4X100 relay team in 2004 Olympics. However the best combination would be high individual performers with high team spirit.

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ABSENCE OF A NATIONAL STRATEGY IN PRESENCE OF A POWERFUL VISION OF A NATION

Post-war Sri Lanka has drawn attention to critics, critiques, wishful thinking, and predicaments in the recent times. One of them is the Vision of the President of Sri Lanka; to make the Island nation a miracle of Asia. Many interpretations and wishful thinking have been popped up on this realizable vision, without proper analysis on what Sri Lanka is? What are we capable of? Where do we find the flow of the resources?, and circumstances that matter at strategic level. To me, it sounds like a typical budgeting exercise in a private organization. Why?, most of the budgeting exercises end up in finalizing “how to spend and where to spend” without identifying ‘why we need to spend’. So invariably budget generally ends up with an allocation of funds for recurring expenditure. It has become easier with Microsoft Excel worksheet. This where most organizations end up finding “where are we now?” without further analyzing to find ‘WHY are we here?’.

Looking at the comments, opinions that have been published, it is noted that the absence of strategic thinking has led to mere comparisons drawn on “heard knowledge” without realizing what it takes to become a miracle or hub. Becoming a financial, trade & human resources hubs for the Asia is one of the recurrent topics that emerge in public forums time to time. Professionals, politicians, propagandists, economists have taken the “Hub” theme to many different perspectives which might have created illusive dreams about progress and development in the minds of public which may beyond reality. The writer attempts to clear this illusive picture which is an outcome of mere propaganda and suggest ways and means of becoming a hub not in words or in mass media but by approaching the vision strategically.

Hub; by definition; a strategically located airport or city or centre where major facilities and operations are housed for given trade or subject area, and where most of its activities originate from or terminate at that centre. When you imagine a hub, simply think of a hub of bicycle wheel where all spokes are integrated to its hub and whole activity; turning the wheel is centered on its axle. This basic definition of a hub is very important and will assist anyone to think about possibilities and probabilities of establishing the hubs that we hype about.

The essential characteristics of a hub is to draw all pertinent, relevant activities to the centre where the activities are housed, facilitated, value added in order to disseminate to potential service receivers at efficient and effective manner. Now you as a reader may think whether we can be a trade hub, financial hub, human resources hub. India, Singapore, Dubai are successful not only creating ‘hubs’ but also continuing their status as Hubs. Several years back India had a major issue with the ‘English accent’ in attracting call centers into the country. They had a sound infrastructure in creating human resources with English language ability but they could not “tackle” issue of ‘accent’ as it has been internalized in individual pronunciation due to prolonged habituation to the “Hindu language” accent. This was a massive barrier for Indian Call Centre companies at that time. They resorted a strategy which encapsulate all essential elocution programs to overcome the issue and corrected at the basic level; primary schools and then at the secondary level. They had suffered many generations, but today they are one of best in that trade and have become the “hub” both in terms of activities for the world best companies and value adding to those businesses. The nature and scope of the issue



must be viewed in a strategic perspective to resolve the problems rather than getting to mere comparisons and wishful thinking.

One has to first identify the characteristics of a hub and what is essential to become one. In fact these are pre-requisites to become one. A financial hub

Europe, Africa and Asia?. What should Sri Lanka do now?. Singapore became hub by organizing themselves in terms of infrastructure, regulatory and working environment. Singapore first resolved foreseeable labour issues that could interrupt productivity and production by investors. They disciplined the people to create an environment by enforcing an impartial regulatory framework. They brought the entire country to a common communication platform by making English as the serving language for the link for different ethnic groups, and the language for education system and administration. This initiative, in fact integrated the entire population which was consisted of 3 major ethnic groups and many small groups of migrants.

Looking at those initiatives, Sri Lanka is far away from becoming a hub as we first need to achieve minimum standards in terms of resilient and reliable infrastructure. First of all, there is no common language to connect entire population into one cohesive force. Government sector uses all three major languages. Private sector uses English. There are many issues when multi-lingual population attempts to interact with each other for any type of activity whether it is social or economic. Telecommunication links are below international bandwidth and relatively expensive. We have not got many processes such as trade, legal, shipping, traffic management, aviation, navigation in real-time basis. The "productivity" gets killed on the "traffic" everyday and "buried" by "generous public and bank holidays". If you think of Tourism, when a tourist wants to enjoy his stay in the Island with his mates, if it happens to be a "Poya Day" then there will be numerous 'prohibited' activities which discourage the 'mood' of relaxing and fun. We are just talking about hubs without knowing or considering what it takes to become a hub.

We have only updated few processes to be par with minimum standards which may not suffice to be a global or regional hub for a particular activity such as trade. It needs 'reforms' based on long term goals. Many would have thought that we can become a knowledge hub just because we have few successful BPO companies. The essential characteristic of knowledge hub is the "knowledge environment" which stimulates knowledge creation and driven that resource as an advantage for economic gains. Our knowledge creation process (education sector) has recurring problems with its elements such as primary and secondary schools and Universities. Today it is in shambles where everybody has become somebody in the knowledge creation process and nobody knows what's happening. There is no effective regulatory environment for 'education' sector in the absence of accountability and authority levels. This is

in Singapore was created on a specific need gap existed at that time where Swiss financial hub was not opened for 24 hours and Prime Minister, Lee Kwan Yew thought that Singapore

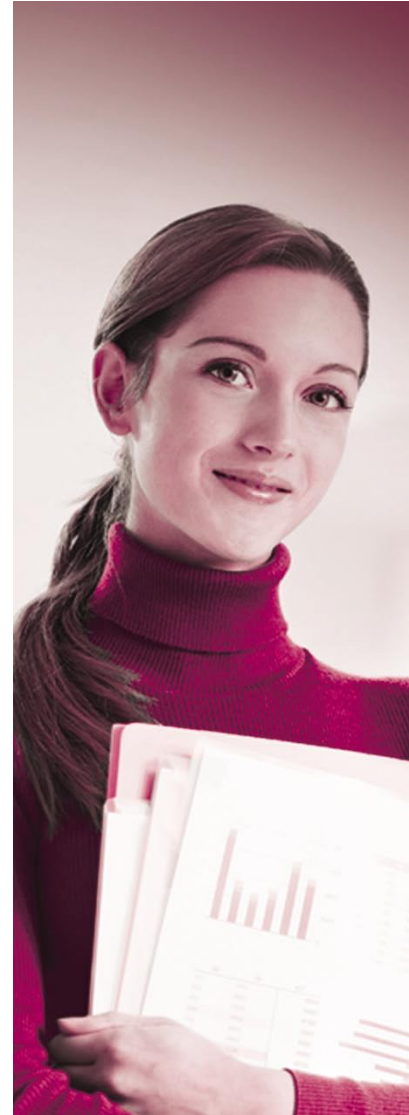
can match the time differences of the world by creating a hub in Singapore. How did Singapore become a hub? How did Brussels become a hub for Air Travel for destinations; USA,

a “core” and “strategic “process in economic development but hardly given any desired attention. Having two ministerial portfolios for same process will not only disintegrate objectivity but also create a division in policies. Therefore there are so many divisions today in the knowledge creation sector and one does not complement other and further nobody knows whether those divisions create products for future needs. The results are obvious; conflicts, frictions, politicized interventions. In short, we cannot think of a “knowledge hub” when there is no “learning environment” that could encourage ‘learning’ rather than hindering it.

The other issue is that ‘knowledge migration’ instead of ‘knowledge immigration’ which should be an essential characteristic of a knowledge hub. Australia is very successful in attracting ‘knowledge’ into their economy because of the relatively high transparent environment that they possess and maintain. Knowledge workers are one who carries knowledge and they always seek ‘greener pastures’ in terms of social security, law and order, stable environment for their immediate family members in terms of health facilities, education, housing, economic stability in basic income and expenditure etc. Now you may ask yourself whether Sri Lanka has been able to create such environment or at least attempting to do so. Bringing the tri-decade prolonged war is only a considerable measure from taking the country from ‘minus’ to ‘zero’ in terms of basic security. The global living standards are yet to achieve and it will take double the time that it has been taken by the war, if the current trend continues.

Some are talking about a “tourism hub”. This is possible but probability is remote due to divisions and failure to look at the tourism as a sub-process to core process of economy. One may argue that it is why the two are under the same minister. Being under the same minister it has achieved something better than ‘knowledge creation” process but fail to integrate stakeholders into one cohesive approach or strategy. Key stakeholders are owners of enterprises in tourist sector, and displayed very self-fish approach in contributing to national development with vested interests. One of the biggest blunders in recent past is that bringing the hotel room cost up in order to be in par with relatively better destination such as Maldives, Thailand etc. it is noticeable that several hoteliers are attempting recover losses of last 20 years in one go. When Thailand lost tourists due to pandemics they immediately brought down visa charges for countries that send large volume of travelers. In fact it was ‘zero’ for a limited period. The arrivals of tourists in 2011 look high as we had low figures in previous years. We must wait for 2012 figures to praise ourselves as the arrivals may be on different intentions such as to explore a country that is just out of war. On the other hand, to become a tourist hub, we first need

to be the “travel or transit” hub like Dubai or Amsterdam or Singapore. We have the airport which is exemplary in terms of global standards but the people and processes in airport must be trained further to be recognized as a key centre for travel. For an example, airport authorities must be conversant with key foreign languages, use their discretion to speed up the processes of traffic “out of and into the airport”. Good example is the baggage collecting terminal. Tourist hub is characterized with road network that connects to the location of airport and to the key tourist locations in the country. Essentially the logistics must be facilitating tourist traffic and make them comfortable. The train that brings traffic from the airport to Colombo does not have any modern facilities that could cushion and comfort the “tired travelers” and that does not help us anyway to make ‘good first impression’ at all. The train must reach Colombo-Fort at least below 10 mts. That should be extended up to Beruwala. The taxi service available at the airport is horrible. The vehicles which are registered as taxis wait for their turn. The drivers wait for days and finally when they get a hire their mood will spoil the moods of the tourists who would be given that facilities. They only worry about their ‘hire’ and ‘tip’ not the essential courtesies of service that they should normally expected deliver. Adding to the misery some of them looks like ‘thugs’, intimidating. Three wheelers have become ‘irritable hawkers’ looking for Dollars. Facilities for dining in the airport and on the way to Airport are below



international standards. It is not about comparing standards. It is about how we can be better than any other 'hub'. Having many airports and not having proper infrastructure vs. having few airports which are connected with smooth infrastructure are two different situations will deliver contrast results.

We may now understand the essential standards for a hub and to become a hub we need a strategy, not wishful thinking or statements. One must first recognize that what is it? And how it could be achieved rather than imagining how it could be which is dreaming. Sri Lanka has many advantages that are strategic in nature and what is lacking is the strategic perspective which assists us how to leverage these advantages to economic gains.

Sri Lanka is yet to resolve the issues on geo-politics which regularly haunts the image of the Island. One has to display a firm stance with a strategy in relation to Geo-politics because in tourism and economic terms any legal traveler from any part of the world would become the customer; tourist. Tourist is a tourist at any destination irrespective of race, religion, politics or any other man-made yardstick. As the next step, Sri Lanka must integrate all stakeholders into one cohesive strategy without allowing the different representations to act on their vested interests in policies on country which may or may not be in the best interest of the country. Thirdly, there should be 'qualitative goals' in line with 'traditional quantitative measurement'; arrivals, GDP. Finally, the mere comparison of other countries must be fully stopped. One big mistake is that the increase of hotel rates saying 'we are the lowest' and 'we can earn more'. One should be the 'lowest' in every sense in order to attract 'masses of tourists' into a country

which was 'war-torn' for more than three decades. Thailand commenced a program of "free visa" and "preferred rate for visas" to selected countries in order to increase arrivals and 'stay' after recovering from 'SARS' and 'Tsunami'. We must develop our own strategy and be stick with it while monitoring constantly. Waiting at airport, counting the number of tourist and garlanding every 100,000th tourist may impress politically but it will not pave the way to long term sustainability.

First and foremost, prioritize issues that are impeding the goal of becoming a hub. One such issue is the irresponsible politically inclined reactions of various political and non-political entities. The behavior of public at public places is another issue (example irresponsible driving and pedestrian behavior that hinder productivity and incur heavy social costs). The apparent ineffectiveness of enforcing law and order is another detrimental issue. We are aware how detrimental it was to the tourism sector. The major incidents that occurred and unpublished incidents that recur on daily basis at coastal areas where tourists flock are still tarnishing Sri Lanka's image.

In personal opinion, becoming the "Miracle of Asia" is half achieved already by defeating the 'ruthless terrorist organization' in the world. Nobody can ever take that credibility from Sri Lanka. In that process we thought strategically and as one cohesive unit we became successful. The other half to be achieved is within the vicinity as long as we correct the 'perspective'. Once, retired Prime Minister UK, Margaret Thatcher stated, "There can be no liberty unless there is economic liberty". I think it is a valid statement that could be used by any nation to evaluate themselves.

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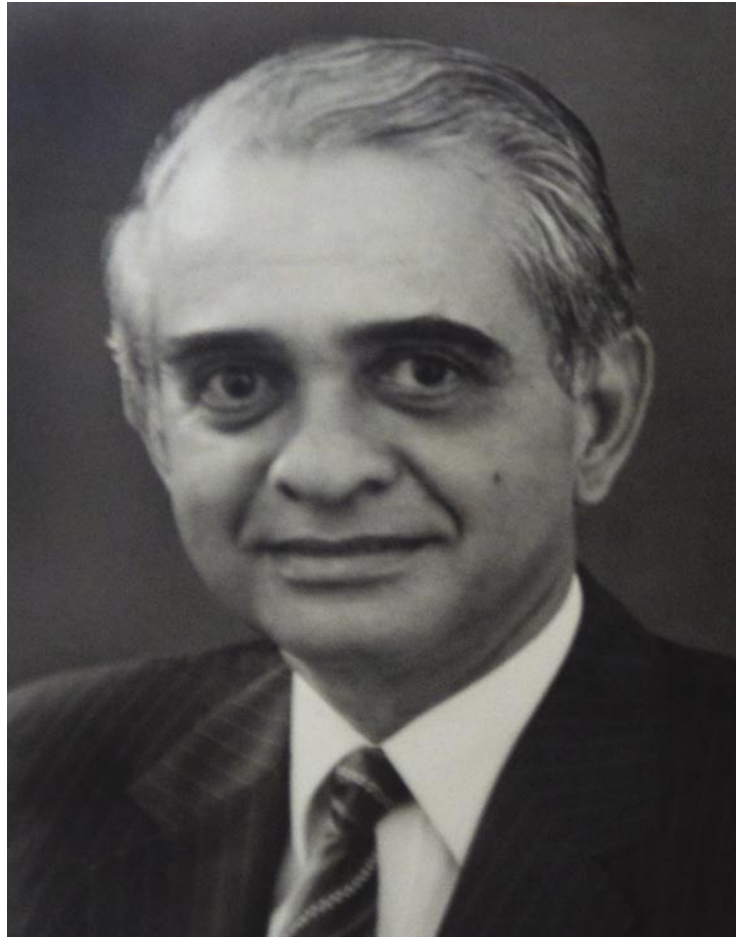
The death of D C (Chandi) Wijesekara saddened many who knew him. Chandi Wijesekera after graduating at the University of Ceylon, underwent training in one of the well known firms of Chartered Accountants in the UK – Coopers and Lybrand, and qualified as a member of the Institute of Chartered Accountants in England and Wales. On his return to Sri Lanka, he was admitted to membership of The Institute of Chartered Accountants of Ceylon in 1960 and was one of the founder members of the newly established Institute.

He started his career at Shell Co. After the takeover of the oil companies, he set up a management consultancy firm Associated Management Services, and was one of the first Chartered Accountants to introduce information technology as a tool in consultancy practice. Soon Associated Management Services came to be one of the most sought after management consultancy firms, with a steady inflow of World Bank and Asian Development Bank assignments.

In 1980, he came into an agreement with Coopers & Lybrand, UK. This resulted in the establishment of Coopers and Lybrand as a practising firm of Chartered Accountants in Sri Lanka. Subsequently, with the merger of Pricewaterhouse and Coopers & Lybrand internationally, the merger of these two firms was formalised in Sri Lanka as Pricewaterhousecoopers.

After leading it to develop within a short period into one of the 'big three' practising firms in Sri Lanka, he retired from Pricewaterhousecoopers in September 1992.

Chandi Wijesekara's expertise was enlisted by the Government to strengthen the expanding state corporation sector in the country. He was a member of the committee appointed by the Minister of Finance to review capital structure and management organization of corporations. He played a significant role in the restructuring of some key corporations and strengthened their accounting and management systems. The Government called upon him to



shoulder more responsibilities as director of Air Lanka, State Fertiliser Manufacturing Corporation and Ceylon Fisheries Harbours Corporation, where deficiencies were identified and corrective measures taken in his own straightforward manner.

Perhaps the biggest challenge he faced was his appointment as the chairman of the Co-operative Wholesale Establishment (CWE) which was an ailing giant, seething with inefficiency and running at a huge loss, not serving consumers all over the country, this being its primary responsibility. Within a few years he was able to transform the CWE into a profit-

making organisation and ensured the distribution of the basic consumer needs of the country, at a fair price, thus ending the era of shortages and queues.

After his appointment as the Chairman of the CWE, the trade unions tried to adopt a confrontational course with him and pressurise him with demands. But they soon realised that he was ready to take the “bull by the horns”. He talked to the unions and said that his objectives and that of the unions were more or less the same, but the priorities were different. The unions wanted their grievances looked into and remuneration enhanced. He said that his objective was to make the CWE a profitable organisation first, and thereafter look after the interest of the employees. He informed that this was his strategy and that he was not prepared to put the “cart before the horse”.

He set about the task of re-organising the CWE and the forthright manner in which he tackled issues and his transparency and impartiality made the entire staff of the CWE to back him in his efforts to rebuild the organisation. True to his word, once the CWE became a profit making organisation, he enhanced the remuneration of the staff.

Two anecdotes I heard from two of my contemporaries at the University who were employees of the CWE during the time, illustrate his forthright approach to issues; one was a proposal made by the union, that at least one child of a union member's family should be employed by the CWE in the same capacity the parent was employed after the latter's retirement. Wijesekara's response was “that is fine with me, as my son would succeed me as the Chairman. But this is an unworkable request. If the employee is an Engineer and the son a mechanic, how do you expect the son to succeed the father? Drop these feudal ideas he advised, with the open economy that has emerged your children will have enough opportunities. Help me to turn around the CWE it will benefit you as well as the country”. The other anecdote is as interesting; an officer of the CWE who was in his first appointment as a Branch Manager had been summoned by him and shown a bundle of letters and told “these are petitions against you, that you are a card-carrying member of the Communist Party and questions how you came to be selected under a UNP regime?” He continued, “I have assessed your work, you are doing a good job; that is all I want. I am not concerned about your politics, keep up the good work”.

These two anecdotes say much about the man. Wijesekara's

impartiality, fair play and forthright approach won him the respect of the entire CWE.

His contribution to the country was not confined only to the corporate arena. Although he was first and foremost a professional accountant, his advice was sought by other professional disciplines and the academia too. He was a member of the board of management of the Postgraduate Institute of Medicine and a member of the Council of the University of Moratuwa. In both the instances, the advice and guidance of a Chartered Accountant was sought by two other key professions; medical and engineering.

Chandi Wijesekara's contribution to his own profession was outstanding. From the inception of The Institute of Chartered Accountants in 1960, he was appointed as a member of the Examinations Committee. In 1968, he was appointed a member of the Council of the Institute, where he served in several key committees. In 1978, he was elected President of The Institute of Chartered Accountants which position, he held until the end of 1981.

As President of the Institute his first task was to develop a strategy to make the Institute a driving force in the Accountancy Profession as well as the Corporate World. For this he embarked on a reorganisation of the Institute. New positions were created and filled with the best available talent in the market. A new organisation chart was put in place. Education, Training and Examinations were strengthened and revamped where necessary. Experts from Europe were identified and deployed to conduct a series of seminars and lectures for the staff, to develop their skills and broaden their outlook.

He believed that the staff was the biggest asset of the Institute. He was aware that it was necessary to motivate the staff to ensure that the good staff were retained as with the open economy that was introduced measures had to be put in place to prevent the best at the Institute looking for greener pastures. He appointed a Finance and Administration Committee which comprised the best in the Mercantile and Public sector to draw up salary scales and incentives for the staff. The Committee was composed of the Chairman, Forbes & Walker, Deputy Chairman John Keells Holdings, Director of Ministry of Industries and a Senior Partner of Ford Rhodes & Thornton & Company. This high powered

Committee introduced salary scales and other benefits and incentives to staff after a study of salaries and benefits available to employees of leading Corporates in the country. It is pertinent note that most of the benefits enjoyed by the staff today are those introduced by Wijesekara and his team during the period 1978-1981.

He emphasized teamwork and he believed that the best way to achieve this was to encourage the staff to be proactive. He despised “Yes Men” and was ready to listen to an opposing view and evaluate it on its merits. When he took over the Presidency of the Institute, his remarks at the first discussion he had with me illustrated what he expected from the staff of the Institute. “Lakshman, you are the Secretary of the Institute at the helm of the administration and I am the President. This does not mean I am God. Whatever action the Council and I think of embarking on, if you have any reservations, remember it is your duty to bring it to our notice”. Wijesekara succeeded in building a motivated staff which worked as a team, like a family under one roof. The Trade Unions that existed ceased as there was no necessity for them.

The Council in 1980 established a Business School, on the initiative of Wijesekara. The school was on the one hand

meant to give Members of the Institute an opportunity to undertake post qualification education and enhance their managerial skills and broaden their outlook. On the other hand it meant that the Institute accepted the fact that in addition to its responsibility to the profession, it had a responsibility to society and to the country as well. The Business School which opened its doors to those in other disciplines as well. Soon, engineers, administrators both in the Mercantile and Public sectors, bankers, members of the Forces and a few Deputy Ministers joined the Business School and followed post graduate programmes conducted by it hand in hand with accountants, to enhance their managerial skills. This helped the various disciplines to work together and gain an insight to each others skills and knowledge.

The institute come to be known as a forward looking organisation making a significant contribution to the development of managerial skills across the country.

Behind his forthright personality which belied his film star like good looks, was a kind and caring human being, with no pretensions and frills. All those who worked with him in the organisations he headed remember him as a hard task master and “a gentleman par excellence”.

*“ Can a bell ring proud in the heart..
Over a voice yet lingering..
Over a face past any forgetting..
Over a shadow alive and speaking..
Over echoes of a heart sincere and true ”*

LAKSHMAN PERERA

Lakshman Perera is a graduate of the University of Peradeniya and holds a Postgraduate Diploma in International Affairs and a Masters degree in Business Administration. He was the Secretary/ CEO, Institute of Chartered Accountants of Sri Lanka from 1978 to 2007. He was the Executive Secretary of the South Asian Federation of Accountants (SAFA) for 3 terms.



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