

CA



STUDENTS'
SOCIETY

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

F U S I O N

11th Edition | 2015

Chartered Accountants Students' Society



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Who we are

The CA Students' Society is the students' body of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The CA Sri Lanka currently has a registered student population of above 45,000.

We were formed in 1981 to provide educational, literary, sports, social and cultural activities for the benefit of the students of CA Sri Lanka and also to represent the interests of the students' population of the CA Sri Lanka and currently represent students from around 30 entities, including firms of Chartered Accountants and Mercantile firms.

Our Society has a history that goes back over three decades. This history is studded with events and achievements, memories of which we cherish with pride, encouraging us to move on to greater heights.

Our vision

To do, to endeavor, to aspire, to make and to add value for the students.

Our mission

To function as a student body and to promote further, the interests of the students in the education, literary, sports, social, cultural and any other sphere of activities by co-operating and associating itself with the Institute of Chartered Accountants of Sri Lanka as and when necessary and to promote social interaction with other student bodies both here and abroad by applying the finance of the society in a manner most conducive to carrying out and promotion of those activities. student bodies both here and abroad by applying the finance of the society in a manner most conducive to carrying out and promotion of those activities.

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President's message



It is with great pleasure I pen down these words for the 11th Edition of the Fusion Business Magazine. After 11 successful years the Fusion yet again proves the talent of our CA Students along with the commitment of the Editorial Committee of the CA Students' Society and other illustrious personnel.

This year's Fusion has given the platform for the publication of winning articles in the CA Students' Article Competition, which is conducted for both local & SAFA Students.

I would also like to pay my sincere gratitude to Mr. Dilantha Malagamuwa award winning Racer, Mr. Ranjan DeSilva Team Leadership Specialist & CEO Success Coach at Sensei International, Mr. Chandran Rutnam world renowned Sri Lankan film director for giving us time from their busy schedules to conduct this year's Fusion

interviews on their journey in achieving supremacy life. I am sure all the readers of this magazine would be highly enlightened and entertained by pages of life shared by the above renowned people.

The Fusion magazine's aim is to be a dynamite, highly informative and entertaining source for budding Chartered Accountants and to add value to our conventional number crunching work style.

Launching of the Fusion Business Magazine; the only Business magazine for CA students' remarks the end of another successful year of the CA Students' Society and this, as always, is a work of collective enterprise and I should congratulate the Editorial Committee for undertaking this hugely intense task and executing it successfully.

Few words from the editor



It gives me utmost pleasure to be the editor of a prestigious magazine like this and share my thoughts with you on behalf of the Editorial Committee in the 11th Edition of the Fusion Business Magazine presented to you by CA Students' Society, a magazine that has been enlightening young minds for over a decade. This edition marks the conclusion of another year of excitement for the CA Students' Society. During this year the committee steps towards positive changes gearing towards continuous improvement and development.

The response that we received from both Sri Lankans as well as other South Asian region colleagues in contributing for the CA Students' article competition 2014/2015 was remarkable. The winning articles have been published in this edition of the Fusion Business Magazine and you will find them to be more educated and interesting. We

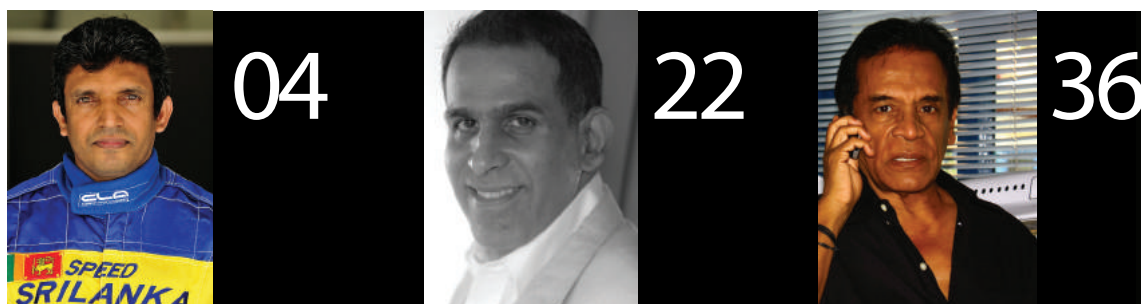
hope that our efforts to share knowledge, concerns and special insights with the student community is successful and knowledgeable to all readers.

The future scope of the Fusion Business Magazine is open for your suggestions. Your feedback will be immensely appreciated and will also form the bedrock upon which the quality of the future editions will lie.

I wish to extend our sincere gratitude to our sponsors and the staff of CA Sri Lanka for their support and I also take this opportunity to acknowledge the efforts of the fellow Committee members, without your support this magazine would not have been a success.

Enjoy throughout. Cheers for CASS!

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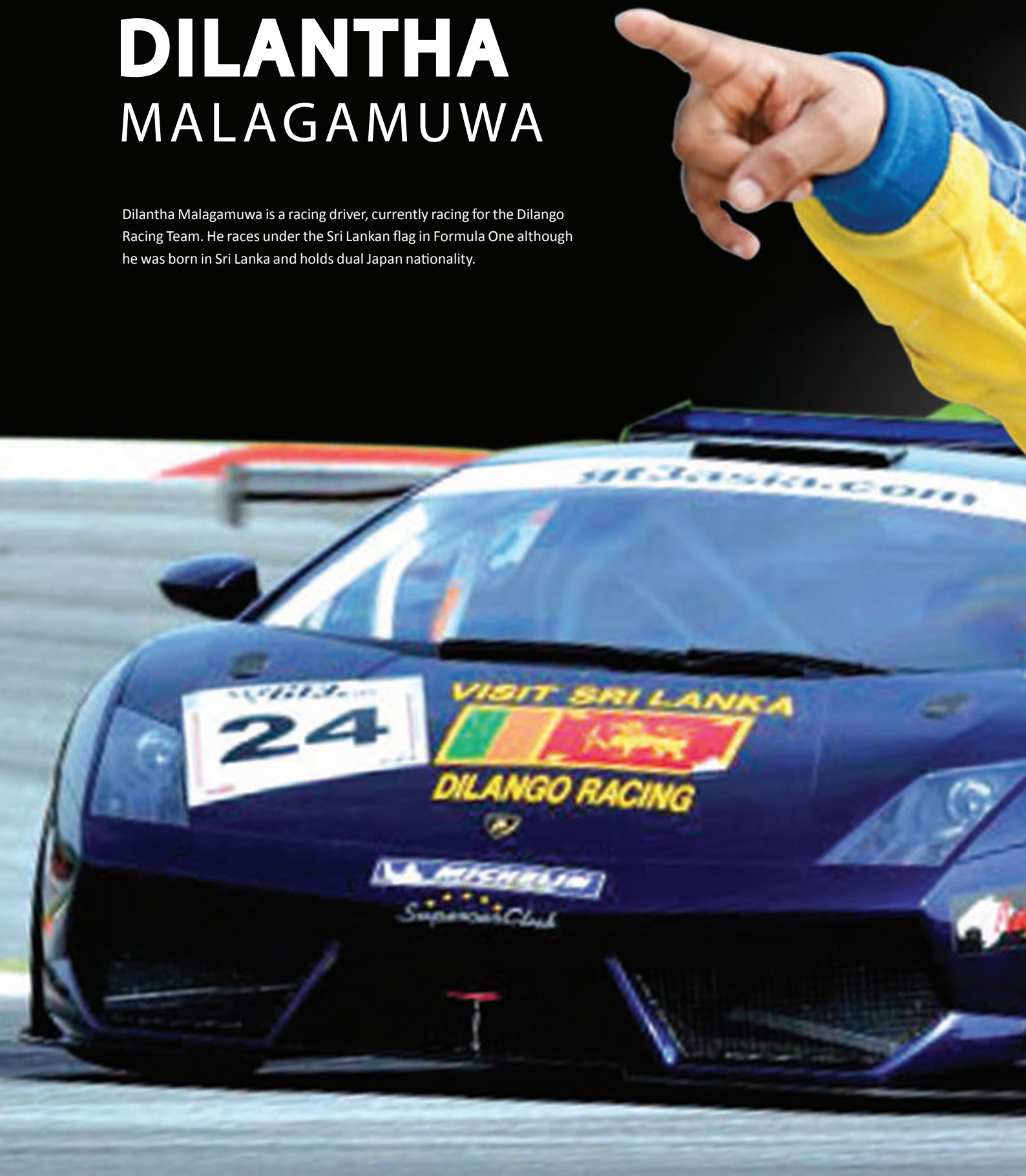
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DILANTHA MALAGAMUWA

Dilantha Malagamuwa is a racing driver, currently racing for the Dilango Racing Team. He races under the Sri Lankan flag in Formula One although he was born in Sri Lanka and holds dual Japan nationality.





“I won the GT open and GT3 race today also at the Malaysian F1. So happy that our National anthem was played at the Malaysian F1. I am so proud I could do this for Sri Lanka. I want to thank my crew, Lamborghini and all my friends who came to support me and all my dearest friends from Sri Lanka and other parts of the World who sent me messages wishing me good luck. I am so happy to make a double win”.

Dilantha Malagamuwa.

Could you brief us about your initial racing days & your path to this level? We know that you started your career in motor bike racing and moved to car racing? Please share the milestones of your career with us?

When I was about 14 I watched the holywood Movie, “Silver Dream Machine”, which was about a Racer who starts very hard and become a World Champion. From that day I wanted to become a World Champion; a Racing Champion. I started Racing when I was 16, but my father was against it. However my father bought me one of the best racing bikes when I won the first race. During the first race with the new bike, I faced an accident, then my father asked me to quit racing. But somehow I continued with racing without his concern. When I was 19, I participated in my first International Race in India in the year 1983.

In 1983 I met a famous Japanese Rider. When I told him plans and that I want to become a champion, he took me as a joke. Then he asked how I’m going to achieve it, so I said either I’m going to Europe or States. He advised me to go to Japan, if I want to become a champion, also he shared few things about Japan. So I thought that the best thing to do was to go to Japan. When I returned I requested permission from my father, but he refused.

In 1985, I ran away from home and went to Japan, in two years’ time I started my own business and I started racing from 1987. When racing in bikes I had to face accidents, and was hospitalized for about two three months, and couldn’t focus on my business work. Because of this, my wife also didn’t accept me racing in motorcycles. So I switched to cars.

I started racing cars in 1989, when I was in Japan. Within about 10 years I achieved the highest level called “Formula Nippon”, which is the closest to Formula 1. I was the first Non-Japanese to get there. After that was Formula 1, but then I couldn’t find any sponsorship to go for Formula 1, so I had to switch to GT cars. From 1999, I started racing GT cars and I have been driving for Hustler, BMW, Porsche,

Aston Martin and now I’ve contracted with Lamborghini for the last five years, and I think they’ll go up to another three to four years or until I retire.

Means you never got the opportunity to go to Formula 1?

Yes. Normally the maximum age you can try for Formula 1 is about 38, 40. I got the chance to go for Formula 1 in 1997-98, but hardly I couldn’t, because in Formula 1 only few drivers are being paid, every other driver had to bring in their own personal money, so I couldn’t find enough sponsorship, and I had to give up.

As you mentioned you were inspired by a movie. Apart from that was there any sort of person or a role model in your life?

Hmmm... not actually, but I could ride and drive from the age 8 and I love cars and bikes. Also I was good in studies, where I was within the first three every time, but then everything changed after watching the movie because it was so thrilling and exciting.

Where did you practice?

Those days there were no circuits where we can go and practice. I was from Kurunegala and the only place to practice was Katukurunda, but that was also restricted, so I used to ride on roads.

In Sri Lanka, you don’t find a proper place to practice, was it a barrier for your success?

No. It’s the commitment. It’s how you do it and then it also cannot be in a comfort zone. You have to go beyond the barriers, and I always took that risk. I keep challenging myself, and that’s why I ran away from home with just \$ 400, and a one-way ticket

Do you think that money is a barrier for a person to move in to this career?

I don't think so, but you need a lot of money, a lot of funds. But it is possible, nothing is impossible in life if you are committed. Most of the people try to be in a comfort zone. But if you want it, you have to go for it. You have to cross barriers and you have to take a risk and gamble, gamble not in a bad way to go for it. If you need to achieve something, you have to give up everything you have for it cause you cannot have everything.

What are the unforgettable moments in your career?

Yes I have so many, but the most unforgettable moment was when I won the Asian Championship twice in 2008 & 2009 in Aston Martin, they disqualified me for no reason, and that was the most difficult part. And also, in 2010 I won the GT championship and in 2011 I won it again and they disqualified me. There were politics in that too. If you give up they will be doing it to you again, so you have to go and beat them again and again until they give up, and you should not give up.

What is the secret behind your success?

It's the love and passion I have on it when I want to do something, I really do focus on it until I achieve it and I won't give up.

We know that you are currently racing under the team "Dilango Racing". Could you brief us about the formation of "Dilango Racing" and branding it?

Until 2009 I used to drive on a contract, where I was assigned to a team, and working under someone else. Then I thought, if I am controlled by someone, I cannot achieve everything I want. So I thought I should have my

own way and I have to control over it. That was when the former Malaysian Prime Minister Tun Dr. Mahathir Mohamen invited me to take over "Sepang Circuit", the Formula 1 circuit in Malaysia where he was the Chairman. Since I too wanted a change I took over it and renamed it as "Dilango Racing & Dilango Racing School" in 2009.

I got the name from my mother, I think she has consulted Ariyasena Ahubudu or someone. If I am not mistaken "Dilango" means "Fast & Prosperous". Everyone think it is because of "Dilantha"

We had a victorious start. I think most of my victories were after 2009. Though I have won a lot locally, I started winning internationally mostly after I built my own racing team. When the name was getting popular we started branding it. Also I entered to a contract with Lamborghini, and they allowed me to use the Lamborghini logo for any of my merchandising. We started selling Dilango Racing merchandises last year, but I was not happy with the qualities. From this year we are planning to open a shop in Colombo, and currently I'm looking for a place to sell exclusive Dilango Racing products. We also have a plan to take it all over Asia.

Is Dilango Racing School in Sri Lanka?

No, it is in Malaysia at the formula 1 circuit. Actually I wanted to do it in Sri Lanka, but it is bit difficult. Many years ago I built a circuit in Pannala, but I had to face certain problems with the shareholders so I didn't want to get involved. Now I'm thinking of taking around 20 drivers to Katukurunda and training them once a month for 2 or 3 days since I come to Sri Lanka very often. Planning for a slow start, but the problem faced is with the infrastructure we don't have a proper circuit to do it, but I think Katukurunda circuit will be good for a start.





You did mention about Dilango Racing products, can you tell us something more about that?

Yes we are going to start with T-shirts, POLO shirts watches and shoes, because Lamborghini is giving us all the designs I only have to produce it here.

Is it operating currently?

Yes it is operating, but we have finished all the stocks we had, and now we want to come up with a new design. I used to sell it through retailers, but now I'm planning to do it by myself. .

We know that to survive in a career it needs to master in what you are doing through practicing and training. As far as chartered accountants we spend so much of time on practicing and training. What is your impression on importance of training to get succeed in a career.

I think it is one of the most important things you have to have. I think first you have to build up your mentality and then the training comes in to place. Some drivers train daily, but when it comes to competition they fail because they don't have the confidence. So I think confidence is the most important thing and then training.

You are saying that Confidants is more important than training?

Yes. First you have to build your own confidence, then you can challenge anything. If you are not confident, you cannot compete, instead you become a loser. You must have confidence. This is only my way.

As we know, 'Racing' in Sri Lanka is not in a favorable level compared to other countries. Even you have to face many obstacles alone to win the International Arena. What is your opinion about the level racing has got in Sri Lanka? Do

you have any plans to improve the current level of racing?

In Asia we were the pioneers and Racing was started in 1930 in Sri Lanka, so we were ahead of everyone else in 1936. But unfortunately even now because of politics involved in motor sports and people try to take control over motor sports.

As I mentioned earlier my first race was in India and I was qualified to participate, but the officials didn't allow me to go and instead they sent two other riders who were not fast as me. Then I had to go as a private entering and I defeat them. That moment I realized that staying in Sri Lanka is not going to help me achieve my goal. It is difficult for me to change everyone here, and also it is not easy to fight with the system then the only option I was left with was to go overseas and bring pride to Sri Lanka, which I can do by myself without any political influence. Still the political influence is there in Sri Lanka that is why I do not want to get involved in anything. Sometime back I was appointed as an interim sports president, I tried to do the best and then they started to write against me in newspapers. I cannot do it individually to Sri Lanka, but if I have 20-30 people who think like me we can make a better change, but unfortunately it is difficult because most of the people want to stay in power and they will do anything for that.

Even the 'Colombo Night Racing', they could have done it more accurately.

Honestly the government didn't spend anything for our racers. All the drivers I invited came spending their own money; they had to spend something around USD 50,000 to bring the cars. The only thing they got from government was a hotel room even without food. The opposition and most of the people consider this as wrong and government has spent a lot of money on them, and whenever possible, I try to make them understand the truth.

What is your opinion on the Government support to enhance Sports including Racing?

As you see I have been carrying the Sri Lankan flag for 25 years, but they have not given me a single cent. I have been talking to Tourist Board, Sports Ministry, but they don't even care, they only support cricket. There are a lot of people who have brought honor to Sri Lanka in other sports, I met a boy who has won a Silver Medal in Gymnastic Asian Championship, and I met another boy who has won a Silver Medal in Wushu World Championship they are also treated in the same way and are not being recognized. I have nothing against any other sport, but you have to treat everyone in the same way. Our country is very small and the publicity the country gets is through sports and tourism, so we have to promote it. Other countries like Brazil, they spent their National Assets and funds to give publicity to the country. Sports is an international language spoken in many countries, there is no complexity in sports. The problem is, they don't understand that and I would really give up talking to them and I will keep doing my things.

As per your view, what needs to be improved in the Sri Lankan education system in order to balance sports and extra-curricular activities with studies? How do you think a student should become an outstanding character through achieving greater excellence in both academic and non-academic activities?

Actually during our school days we had a lot of time to do sports activities, but I think now a days, it's just they decide, whether to do sports or to be good in studies. Because of the pressure they have now, they can't focus in both studies and sports. I think with the current education system they

hardly find time to do any sport, because every child is going for tuition and they are mentally stressed, which is not good for them or anyone. Whenever we get some free time from racing we do some activities that would help us to enjoy. Also you should have the passion, you can't force anyone to do sports. But when you get into sports, you physically get fit, you feel really relaxed and you can feel your body changing. So this could help you do well in studies. I think you have to do something for relaxing like music, travelling and you have to balance your life.

Staying physically and mentally fit is vital to not just to a sportsman, but also to anyone in the corporate world. How do you keep yourself fit and what is your advice to young Chartered Accountancy Students?

As I said, to be physically fit you have to go outdoor, train yourself, you have to get addicted to it. It is all focusing about yourself. I think you should love yourself at first more than anyone else. And then you will start thinking how you can be a better, how you can be good. It will lead you to be a better person, you'll discipline yourself and start doing things that you like. If you ask me who is the first person that I love most is, it is me, myself then you can start loving others. It is not a bad way or selfishness. You have to have the physical fitness, you don't want to be sick, and so you got to love yourself.

So first you have to love yourself, and automatically others will?

Yes, because if you love yourself, you want to be the best person, isn't it? So you try to maintain the figure, as well as you try to maintain the discipline in whatever you do.





Where would have you been today, if you didn't watch that movie?

My father was a politician and I don't know where I would have gone. I was very good in studies but after seeing that movie it totally changed and I thought this was the best thing to do.

Didn't you have a dream before you watched the movie?

Honestly at that time I didn't have a dream, I was thinking whom I should become. My mother was saying that I have to become a doctor or an engineer. But somewhere in my mind I really loved cars and bikes, but I didn't know what to do until I saw that movie. I think you should have dreams in life and I still dream. People say not to dream because you don't go to full fill the dream. But I think you have to dream every day, even something small that you can achieve, and then you will go towards it. That's why I said that you have to love yourself, this will help you become stronger and then you will try to follow your dreams and full fill them. If you ask someone whether they have a dream, they don't know exactly, they are lost. Someone would say, he want to buy something. That's money, you don't have to dream for money but for something else. When you have a dream of becoming rich, you become very evil and all is towards money making. Money will follow you when you have proper things going on. If you go after money, money will run away, and that's where people start doing wrong

things to get money. But as I told, if you have your focus, if you love yourself, you won't do that, you'll achieve your dream and everything else will follow you easily.

Please share some of your dreams, including the Asian Championship.

Though you call it Asian Championship, it is not restricted to Asians, that's the difference in motor sports. Because it is held in Asia only it is known as Asian Championship. I also want to go and win one or two World Championships. These days they don't have for GT, but now they are coming up with a new World Championship for GT. So I want to win some of those, and in this year Lamborghini Super Trophy has a World Championship in November in the US and I'm hoping of winning that, that'll be the first World Championship.

Behind every successful man there is a lady. Who is the lady behind you?

I think my mother was the one until I left Sri Lanka, and now I think it is my wife. But when you say success, it is a woman behind you, but I think for me behind success is, I'm not being disturbed. I think if you are focused and as long as you don't bother yourself, that's the best thing to have in life. I'm telling all this in a good way.

How do you balance your personal life with your career?

I don't balance, I just leave the way it goes. In Buddhism this is what I learnt. When I was in Sri Lanka I didn't follow the religion, I didn't go to temple every day, I didn't have faith, I mean I was a crazy guy. But when I went to Japan, I was living inside a van, having one meal per day, still I was enjoying thinking when I can race and all. Then my wife's mother found that I'm living in a van and then she started taking me to the temple and then later I started meditation. This religious sector was founded by an Engineer, during the World War he wanted to find out what the truth is, so what he studied was Nirvana Suthraya. Lord Buddha's last preaching was Mahanirvana Suthraya that means a lamer cannot elevate without becoming a priest. You don't need to go to the temple or worship daily. But it is your daily life how you help others. So helping can elevate yourself. It is not praying or preaching and I think it is not the correct way, Buddhism is a philosophy, but I respect all religions. It's how you move and live everyday taking care of others and sharing, I think that has taught me a lot. As I told when I was in Sri Lanka I was very mischievous, stubborn and when I went to Japan I was like that for few months, but after I started going to the temple I started meditation and I learnt not to ask anything for myself which is also against Buddhism, you should never ask anything for yourself. I don't understand why people do Bodhi Pooja and asking for things. You should never ask things for yourself, it's for others you have to ask. I learnt this and then it really helped me. So I think it is your daily routine to help others, to be nice to others that's the best way to live.

Apart from racing, what other sports are you good at & how do you spend your leisure?

I used to play Squash, Badminton & in school I played Rugby. But after I went to Japan I played only Squash. Now with racing, I only do physical fitness and sometimes may be some martial arts, but just to keep myself fit.

What is the message that you would like to convey to students of CA Sri Lanka who will be the future leaders of our country.

As I told you, first you have to love yourself, you have to build confidence and commitment, and then you have to be very discipline, If you are a well discipline person then the things will work very well for you.

Any other things that you like to share with us?

Honestly, when comparing the days I went to school and now the discipline is very bad of the young people, the way they behave, the way they talk, sometimes I get very frustrated seeing the Sri Lankans because our days we were well-disciplined & we behaved well. When you are disciplined well, people will respect you.

Currently I'm trying to do something call "Safety Driving", a campaign, because there is no discipline and being rude especially the way guys talk to girls and there is no respect. I don't like those things and when I saw something I tell not to do such things. Sri Lanka is very popular in the world because of good human beings, so I think we should go back to the old days and try to build the discipline, because it is very important.

You mentioned about a "Safety Driving" campaign, can you tell something about that as well?

Yes, why I'm doing this is because of the way people drive. I have started a campaign, and what we first did was, we designed a sticker saying "I'm a safe driver, I value everyone's life", and then we went around Colombo, spoke to three-wheel drivers and bus drivers because they are the worst, and then after talking to the drivers we pasted the sticker so that they can see it all the time. The only way is "awareness", so I can't do this alone because I don't stay here, so I got some artists around me and then they did the first campaign in Colombo two weeks ago at Vihara Maha Devi. And in next week we are going to do it in Gampaha. We have to take this to every school, and every religious places. This message has to reach everyone, even in offices, it has to be like a prayer. Someone has to take the leadership in the house or in the office, school anywhere and this has to go to drivers' mind every day. So that's what I wanted to do it. It is not my individual project, it should be everyone's project. Honestly the way people are driving is too crazy and they don't respect each other. I think the way they give the license is also wrong. If you talk to the government it will never work and someone will try to gain popularity from the project, so we don't want that. I want this to be everyone's project, at the end of the day it is our life that we have to fight for "It is our life so our fight".

Apart from the well know racer how will you define Dilantha Malagamuwa?

A very humble normal person living on dreams. I would say a humble Sri Lankan.



Interviewed By

Jayashan Grero- Tudor V. Perera & Co.,
Dilini Samarasinghe- Nihal Hettiarachchi & Company
Hansanie Dias - KPMG

Kethaka Kusuminda – KPMG

Dilshan Akalanka – Wijerathna & Co.,
D. D. Dissanayaka - Peoples' Leasing Finance PLC



FORENSIC AUDIT

AN INEVITABLE TOOL TO UNCOVER CORPORATE FRAUDS

By : Aditya Manojkumar Gupta

"I see no more than you, but I have trained myself to notice what I see"

The above words were quoted in 'Forensic Investigation of Explosive' by Sherlock Holmes, the first considered Forensic Auditor. Today, the words quoted above have become role model for all Forensic Auditors of the world.

Introduction

The number of fraudulent activities, corporate scandals, revenue leakage and ambiguous financial activities has been accelerating all over the world. Consequently, businesses are exposed to risks of fraudulent activities. With all of the recent corporate accounting scandals at Parmalat, Xerox Corporation, and Satyam Computer Services, and all the high profile corporate frauds at Enron, WorldCom, and HealthSouth followed by Bernie Madoff's colossal ponzi scheme, the media has made Forensic Auditing a need of the hour. Forensic Auditing has established itself as dynamic and strategic tool in combating corruption, financial crimes and frauds through investigations and resolving allegations of fraud and embezzlement.

Thus, a new area of auditing, known as Forensic Audit, is needed to detect the frauds in companies that suspect fraudulent transactions.

Essence of Forensic Audit

"Forensic" means "suitable for use in the court of law". Bolonga said, "the application of financial skills and investigative mentality to unresolved issues, conducted withing the rules of evidence. As an emerging discipline, it encompasses financial expertise, fraud knowledge and a sound knowledge and understanding of business reality and the working of legal system".

However, the definition of Forensic Auditing keeps on changing in response to the growing needs of corporations. Simply stated, Forensic Auditing includes the use of accounting, auditing and investigative skills to assist in legal matters.

A plethora of high-profile corporate scams and stricter reporting and internal control regulations have triggered the importance of Forensic Auditing in business. Its application extends to all industries including telecommunications, infrastructure, IT, pharmaceuticals, etc.

"Auditor should be watchdog and not be the bloodhound". It's a good quote that every auditor should know. This quote makes the definition of Forensic Auditors even simpler. The Forensic Auditor is a bloodhound of Bookkeeping. These bloodhounds sniff out fraud and criminal transactions in bank, corporate entity or from any other organization's financial records. They hound for the conclusive evidences. External Auditors find out the deliberate misstatements only but Forensic Auditors find out the misstatements deliberately. External Auditors look at the numbers but Forensic Auditors look beyond the numbers.

Need for Forensic Auditing in ERP Environment

In recent times, financial and operational transactions are increasing in volume and this has increased the complexity with which they are recorded and maintained. In this kind of scenario, the evolution of ERP systems has proved to be a blessing for the business world.

An Enterprise Resource Planning (ERP) system is a fully integrated business management system covering all important functional areas of an enterprise.

ERP promises one database, one application and one user interface for the entire enterprise.

However, implementation of ERP is quite extensive, subjective and involves numerous complexities.

Since the ERP system contains critical and sensitive business data, it is essential to protect such information from unauthorized access and any kind of manipulations; which creates substantial concerns about business interruption, system security, and database security. Several of these risks may result in greater control risks (e.g. lack of segregation of duties) and/or have a direct, material financial statement impact (e.g. invalid transactions, misclassifications, duplicate payments to vendors, and potential going concern issues relating to business interruptions) or require additional disclosures. Unauthorized access to the data within the ERP system's database must be prevented, as majority of frauds take place within the organization itself.

Segregation of duties is one of the most important aspects, necessitated to prevent fraud and heighten security.

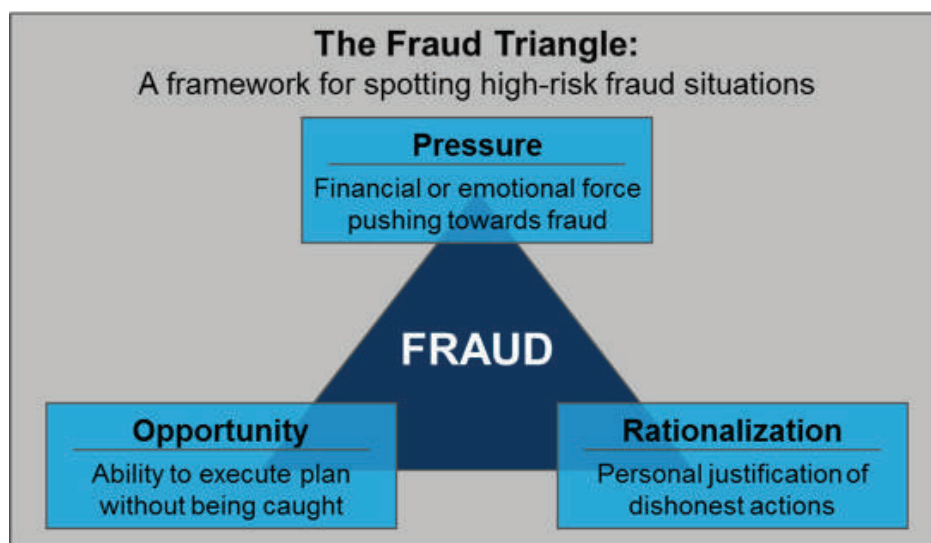
Companies believe that their system is secure or that its employees are trustworthy – yet 5% of their revenue disappears every year, according to a report issued by ACFE.

What is Fraud?

The term 'fraud' encompasses many forms of misconduct. Although the legal definition of fraud is very specific, for most people it generally covers any attempt to deceive another party to gain a benefit. Health care fraud, identity theft, padded expense reports, mortgage fraud, theft of inventory by employees, manipulated financial statements, insider trading, Ponzi schemes — the range of possible fraud schemes is large, but at their core, all of these acts involve a violation of trust. It is this violation, perhaps even more than the resulting financial loss, that makes such crimes so harmful.

Why is Fraud Committed?

There is a cut-throat competition between businesses. A struggle for survival (economically, socially or politically) often induces fraudulent or dishonest behaviour. With the ever-increasing pressure on employees to achieve targets and on the management to project growth from the set benchmark only increases the probabilities of fraud being committed in any organization.



Any person found to be entrapped in any of the above described circumstances can be a potential fraudster.

Fraud schemes are further classified in three major categories, viz. Asset Misappropriation, Corruption and Financial Statement Frauds. Of the many frauds in the corporate sector, financial statement frauds affect stakeholders at large. When the financial statements of an organization are manipulated to hide certain happenings or to show the kind of position of a business which does not exist, are termed as Financial Statement Frauds. The most significant factor leading to this fraud is pressure on the management to show earnings of the business.

Commonly observed Financial Statement Frauds are – showing inflated revenue; round-tripping; asset overstatement; concealing the liabilities; reserve manipulation; understatement of expenses; embezzlement of cash; misappropriation of goods; omission of a material information; improper disclosure; adopting cookie-jar accounting practices, wherein the organization understates the revenue and maintains it as a reserve for future periods to cover a bad performance, etc. Such practices enable the management to remove the appearance of volatility from the operations from the records and synthetically produce a rosy picture of the organization.

Corporate Frauds

It is just as difficult to detect an appointed official's dishonesty, as it is to detect how much water the swimming fish drinks.

Corporate Fraud means "activities undertaken by an individual or company that are done in a dishonest or illegal manner, and are designed to give an advantage to the perpetrating individual or company. Corporate fraud schemes go beyond the scope of an employee's stated position, and are marked by their complexity and economic impact on the business, other employees and outside parties".

The majority of corporate fraud cases involve accounting schemes designed to deceive investors, auditors, and analysts about the true financial condition of a corporation or business entity. Through the manipulation of financial data, the share price, or other valuation measurements of a corporation, financial performance may remain artificially inflated based on fictitious performance indicators provided to the investing public. In addition to significant financial losses to investors, corporate fraud has the potential to cause immeasurable damage to the economy and investor confidence.

Insider trading has been a continuous threat to the fair and orderly operation of the financial markets and has robbed the investing public of some degree of trust that markets operate fairly. The dissemination of material, non-public information, commonly referred to as insider information, has also caused irreparable harm to victim organizations whose employees illegally pass privileged corporate information.

Additionally, corporate fraud matters involving self-dealing by corporate executives, particularly utilizing companies to perpetrate large-scale, high-yield fraud schemes, continue to be an issue of concern. Traditionally, Ponzi schemes were perpetrated by individuals or small groups within a community environment. However, the financial crisis resulted in the exposure of several large Ponzi schemes perpetrated not on an individual community level, but on a corporate national level by executives of what were once considered legitimate companies.

Corporate fraud is prevalent throughout the world. Neither emerging markets nor developed nations escape its broad reach. In its 2013 Fraud Survey for Europe, the Middle East, India and Africa, Ernst & Young found that 42% of board directors and senior managers are aware of some type of irregular financial reporting in their own company.

Some of the worst Corporate Scandals that shook The World

There has been a tremendous increase in the number of corporate frauds during the last century. These frauds have been found to have spirally affected the incomes and savings of common man. Huge losses are the outcome of such fraudulent corporate sector.

1. ENRON [USA] (2001) – Commodities, Energy and Service Corporation

One of the largest securities fraud in history of 21st century. Enron was forced to file for bankruptcy. Those who had invested had been promised and expected to get more money from selling gas and electricity and this was not happening. Like the majority of other companies in this position it sought to hide the truth from the public and borrow more money to fill the hole. They kept huge debts off the balance sheet. Turned-in by internal whistle-blower, high stock prices fuelled suspicions. As a consequence, shareholders lost \$74 billion, thousands of employees and investors lost their retirement accounts and many employees lost their jobs.

Arthur Anderson, the audit firm, was found guilty for fudging Enron's accounts.

2. WORLDCOM [USA] (2002) – Telecommunications Company

The USA's second largest long distance phone company admitted that its profits had been inflated by \$11 billion. Later, it was investigated that Chief Financial Officer improperly booked expenses as investment in order to make the company look much healthier than it actually was. Actually, he underreported operating line costs by capitalizing rather than expensing, and inflated revenues with fake accounting entries. Its internal auditing department uncovered this fraud. Arthur Anderson, the audit firm, was found guilty for fudging WorldCom's accounts. Following this scandal, The SARBANES-OXLEY ACT was introduced.

3. LEHMAN BROTHERS [USA] (2008) – Global Financial Services Firm

Lehman Brothers, the \$600 billion company and one of the world's largest financial corporations, filed for bankruptcy. The news sent shock waves around the world, and within no time, the company shares dropped by a whopping 94% which headlined the 2008 global financial crisis. It had hidden over \$50 billion in loans disguised as sales and allegedly sold toxic assets to Cayman Island banks with the understanding that they would be bought back eventually. This created the impression that Lehman Brothers had \$50 billion more cash and \$50 billion less in toxic assets than it really did.

Ernst & Young, the audit firm, was found guilty for fudging Lehman Brothers' accounts.

4. SATYAM COMPUTERS [INDIA] (2009) – Indian IT Services and back-office Accounting Firm

The fourth largest IT company of India was charged for manipulating the balance sheet by illegal means. Satyam's operating margin wasn't the 24% as shown in its accounts, but just 3% and had nothing close to the reported INR5,360 crore (\$1.1 billion) cash pile on its balance sheet. The real amount was just a measly \$78 million. The founder/chairman Ramalinga Raju falsified revenues, margins and cash balances to the tune of INR50 billion. Later he admitted the fraud in a letter to the company's board of directors, surrendered to the police and confessed for the INR7,100 crore fraud case. He and

his brother were charged with breach of trust, conspiracy, cheating and falsification of records.

PricewaterhouseCoopers, the audit firm, was found guilty for fudging Satyam Computer's accounts.

Fraud Detection Techniques used in Forensic Auditing

o **Critical Point Auditing:** In Critical Point Auditing, symptoms of fraud are filtered out from regular transactions where they may be mixed or concealed. Scrutiny of financial statements, books, records, etc. for Critical Point Auditing purpose may involve analysing:

- Unusual debits/credits in the accounts
- Discrepancies in receivable/payable/inventory balances evidenced from financial records corresponding subsidiary records
- Capitalization of revenue nature items or expensing capital nature items
- False credits to boost sales with corresponding debits to non-existent/dummy personal accounts
- Cross debits/credits and inter-account transfers
- Weakness/inadequacies in internal control/check systems
- Trend analysis

o **Propriety Audit:** Propriety Audit is conducted by Supreme Audit Institutions to report on whether government accounts prepared are in order, in terms of approvals and sanctions of expenditures incurred, whether the expenditure incurred was need-based and that the revenues have been realized in time and properly credited to government accounts. The analogy of "value for money audit" is applied to forensic audits to establish fraudulent intentions of the management, if any, whereby financials frauds are unearthed saving wasteful, unwarranted and unfruitful expenditures or unauthorized diversion of funds by the investigated entity to other entities.

o **Identification of Red Flags:** Red Flag is a term used to denote a warning sign for those items in a financial statement, which lead to scepticism over the authenticity of an item, a transaction, or an activity. It is a set of circumstances that are unusual in nature or are different from regular/usual activity.

Some prominent Red Flags are –

- Increased revenues without corresponding increase in the cash flow over time;
- Strong revenue growth when peer companies are experiencing weak sales;
- Significant unexplained increase in fixed assets;
- Recurring negative cash flow from operation while reported earnings show an increasing trend and the earnings growth rate is positive, etc.

Data Security and Audit Tools or Techniques used in ERP Environment

Computer technology and human interference increases the risk of network information, especially in ERP environment, data is used in electronic mode which has no traces of modification and forgery. Hence, the reliability of available information decreases. Forensic Auditors must actively carry out data security audits as an important aspect of investigation in response to ERP environment.

Manual auditing practices are difficult to adapt to the needs of electronic accounting data. Therefore, the current need is to sync the information technology with the audit requirements by developing audit software which has intelligent, integrated, network versatility and practicality features for purpose of investigation.

The Forensic Auditors may use any of the below-mentioned tools/techniques for their assistance, or any combination thereof:

1) CONCURRENT AUDIT TOOLS/TECHNIQUES AND EMBEDDED AUDIT MODULES

- o Integrated Test Facility (ITF)
- o System Control Audit Review File (SCARF)
- o Snapshot Technique
- o Continuous and Intermittent Simulation (CIS)

Some of the popular audit modules are – ACL; Idea, etc.

2) DIGITAL FORENSIC ANALYSIS TECHNIQUES

- o Cyber Forensics
- o Data Mining at advanced level
- o Benford's Law
- o Tiger Team Tests
- o Beneish Model



Procedural aspects of Forensic Auditing (In Brief):

- Step 1: Meeting a government representative, attorney or other client to learn the specifics of the alleged fraud
- Step 2: Research and plan the logistics of investigation
- Step 3: Search the records, bank statements, credit statements, journals, ledgers, databases, emails, etc. – anything that offers a bigger picture of the financial situation
- Step 4: Conduct interviews with the accused and other involved parties to get individual stories about the irregularities
- Step 5: Reconcile the evidences obtained, whether internal and external, oral and written; and results of interviews

Conclusion

Growing cyber crimes, failure of regulatory agencies to track security scams, busting of many co-operative banks and collapse of Giant Corporation like Enron emphasize the need of using Forensic Auditing. For Chartered Accountants, Forensic Auditing provides an exciting opportunity to foray into this field. Growing regulatory and compliance procedures shall demand greater services in the nature of Forensic Auditing practice. With corporate now turning global, with higher volume of cross-border transactions, use of hi-tech technology leaving little audit trail, use of Forensic Auditing is catching pace.

Forensic Auditing through a new field in auditing world has tremendous potential as a new practice area for Chartered Accountants given the increasing use of e-commerce application, cyberfrauds and increasingly complex transaction in both domestic as well as cross-border businesses.

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ICASL Educational Trust

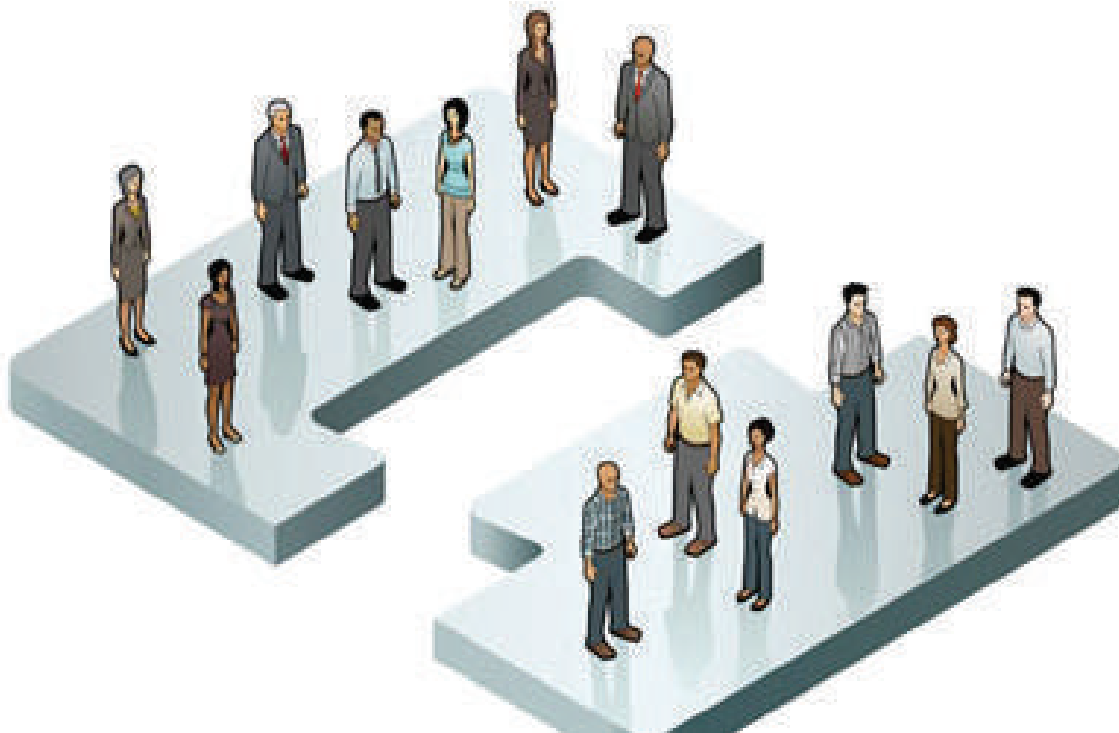
The ICASL Educational Trust was established by the late Mr. M. H. G. A. Brito Muthunayagam in July 1997. The trust was set up for the benefit of members and registered students of the Institute of Chartered Accountants of Sri Lanka. Its objectives are:

- To arrange, to provide, organize or promote technical and educational activities and publications of the Technical Division and the faculty and their successors of the Institute of Chartered Accountants of Sri Lanka.
- To provide for the purchase or hire of material for the Institute library.
- To award prizes and scholarships to registered students of the Institute.

The trustees of the ICASL Educational Trust are Messrs. M. N. G. C. Perera FCA, N. R. Gajendran FCA and D. S. W. Andradi FCA.

The founder of the trust, the Late Mr. M. H. G. A. Brito Muthunayagam was born in 1934. Mr. Brito had his education at Royal College and St. Joseph's College, Colombo and qualified as a member of the Institute of the Chartered Accountants of Scotland. He became a member of the Institute of Chartered Accountants of Sri Lanka in 1964 and was subsequently elected to the Council of the Institute for three successive terms in 1991, 1993 and 1995. Mr. Brito was serving the Council of the Institute at the time of his demise on the 23rd July 1997.

The Trust has awarded more than 300 scholarships to registered students of the Institute during fifteen consecutive years. A large number of scholarship awardees have qualified as Chartered Accountants. The Trust has also sponsored many educational programmes and publications of the Institute. Further, it has funded the acquisition of books for the Institute's Library and sponsored an Institute examination prize. Since 1999, the Trust has financially sponsored the Annual Academic Awards of the Chartered Accountants Students' Society for seventeen successive years.



Financial Sector Consolidation; a Critique

By : Amali Sugandika Liyanage

The financial service industry is consolidating around the globe. The ongoing consolidation of financial institutions has become one of the most vital features of the modern financial arena both within and across many industrial countries. It has spread in a rapid pace worldwide; U.S, Europe and even in Asian continent between large banking organizations and other types of financial service providers.

What is Financial Sector Consolidation? – An Introduction

Even though there is no specified definition for financial sector consolidation, many academics, practitioners and almanacs have defined what consolidation is. Wikipedia defines consolidation as legally combining two or more organizations into a single new organization. Giving an in-depth explanation, Investopedia defines consolidation as the process of combining two or more businesses to form one new entity, with the expectation of increasing market share and profitability, and to benefit from combining talent, industry expertise or technology. Therefore, using the general understanding of the explanations of consolidation, a definition can be developed for what financial sector consolidation is. Financial sector consolidation is bringing together stronger financial institutions in order to strengthen the overall system with the primary motive to support the economic growth to bring the country from lower and middle income category to high income category. The substantial financial sector consolidation is born in the world in the decade of 1990 across a large number of industrialized countries. Financial sector consolidation includes the consolidations among

within industry, cross industry, within country and also cross border consolidations.

These consolidations has been accomplished through mergers and acquisitions, joint ventures and strategic partnerships between financial sector firms. Mergers and acquisitions has become the primitive approach for financial sector consolidation in the world. In addition to mergers and acquisitions, there is a considerable increase in joint ventures and strategic partnerships between financial sector firms in recent years. According to Group of Ten (2001), these ventures and strategic alliances are arrangements between firms allowing each to remain autonomous while also engaging in a new business arrangement to achieve predetermined objectives. These affiliations increased rapidly in recent years due to their usefulness in particular circumstances where there are differences in languages, regulation, corporate culture

or due to the opinion of the stakeholders that a formal merger is either too expensive or prohibitively risky.

The Causes of Financial Sector Consolidation

The principal motive behind financial sector consolidation is to maximize shareholder value. Typically, all the movements take by the firm, including consolidation activities, are geared toward maximizing the value of shares owned by existing shareholders. Financial service firms can maximize value in one of two main ways through consolidation; by increasing their market power in setting prices or by increasing their efficiency. In addition, value may be maximized through merge and acquisition by increasing

financial service firms' access to the safety net.

The pace of consolidation will primarily be determined by changes in economic environment that alter the constraints faced by financial service firms. There are significant changes in the economic environment that are responsible for the acceleration of consolidation in present. Due to the changes in regulations of geographical or product restrictions and technological progress, financial institutions' desire to improve their efficiency and attract new customers by increasing their geographical reach and the range of products they offer have increased. Further, improvements in financial conditions in the market generate excess capacity or financial distress in the industry or market, which provides a direct influence for financial service firms to get consolidate. International consolidation of markets also indirectly influence for financial sector consolidation nationwide. This financial sector consolidation generate numerous effects to the economy and in the end for the society. Those effects can be varied among the extremes of benefits and costs.

Financial sector Consolidation - Benefits

Process of consolidation of financial sector of a country will be advantageous to numerous interested parties over the time. In the last few years, due to the increased financial mergers and acquisitions in advanced countries, the size of each financial institution has become bigger and the number of institutions has been decreasing in major financial markets. Therefore, it helps financial industry to gain from the creation of fewer but larger and stronger players. When the companies get larger, they tend to have a superior bargaining power over their suppliers and clients. Further, a bigger company can be facilitated through cheaper finance than a single smaller entity.

Moreover, consolidation among financial service providers helps to improve the efficiency through economies of scale and economies of scope. Larger firms which result from consolidation, will be able to gain access to cost-saving technologies and spread their fixed cost over a large production. Therefore the average cost of production get decreased and firms will be able to attain the benefit through economies of expanded scale. On the other hand, consolidation allows merging parties to enter into new markets and cross sell their products to a wider customer base which result in reduction of cost and improve profitability. These are the economies that merging parties gain through expanding the scope of business.

In recent past, most of the financial consolidations were mergers and acquisitions within the same industry, especially in the banking industry. As a result, the degree of concentration in the industry has been increased significantly. This will incidentally facilitate the merged parties to copy the efficient business models to inefficient players in the industry and also to fully occupy the under-used or nonperforming assets belongs to the engaged institutions. These merits will flow to the merged parties directly and also indirectly for the customers and ultimately to the entire society.

Financial Sector Consolidation - Costs

However, in the middle of all the boons, it would be naive to think that the financial sector consolidation is without any adverse effect. Due to mergers and acquisitions, financial institutions exist in the market get decreased and create stronger but fewer financial service firms. This makes the financial service sector to concentrate about particular financial institutions making them systemically important. Since these stronger financial institutions interlink the entire system, a negative impact at one of these significant players could extend or spoil over to other players and create a disruption in the whole financial system.

Further due to the repercussions of a failure of one of these financial institutions could have on the financial system, governments and monetary authorities would be compelled to intervene in the restitution of the financial institutions. In the circumstances, the monetary authorities need to focus their concentration towards developing a robust crisis management plan and also the cost of bailouts or the financial assistance should give by the monetary authority in a potential financial crisis. Moreover, as a sub impact, a moral hazard issue can be created due to these bailouts or financial assistance. A bailout will necessarily provide the financial institutions a safety net. This safety net would encourage these banks and their officers to behave irresponsibly by engaging in risky business practices.

In the long run, the society also will impact by the demerits of consolidation of financial sector. When the Financial institutions who established their finance products in the local market, merge with international financial service providers with a large market share, adverse price changes may result which will harmful to the local consumers. Furthermore, consolidate with larger firms will diminish the local firms concentration towards customized products and divert their focus to less custom-made products that are more easily manageable within large organizations. This will weaken the customer satisfaction and loyalty towards the financial institutions.

Future of Financial Sector Consolidation

Based on prevailing trends and changes in economic environments, future consolidations will likely involve large financial institutions in different markets; nationwide consolidations, cross-border consolidations and consolidation of large banks with other large financial institutions worldwide. These financial sector consolidations will be important in terms of the value involved, potential consequences for customers and markets and implications for policy making and research. Nevertheless, in order to achieve the merits of consolidation, it is important to minimize the risk lies ahead through developing an appropriate risk management framework and a regulatory framework for banks and non-bank financial institutions. The responsibility lies in the hands of monetary authorities to supervise with macro prudential approach focusing on the financial and economic system as a whole rather than individual financial institutions. This enables monetary authorities

of the countries to proactively identify the systematic risk in consolidation. Hence, a broad perspective should be adopted in future financial sector consolidation reforms in the world in order to crop the harvest of true value of financial sector consolidation and drive the spectrum of financial sector consolidation for the growth and development of the globe.

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A portrait of Ranjan De Silva, a man in a dark suit and red striped tie, sitting at a table with a white cup. The background is a warm, golden-brown textured wall with a large, stylized white cursive signature of his name, 'Ranjan De Silva', overlaid on it. A dashed white circle is visible on the left side of the image.

Ranjan De Silva

Can you take us down memory lane and tell us how you have become what you are today?

Of course! So let me go to the beginning. I studied at St. Anthony's College in Kandy. There, I was more interested in sports and other activities than studies. So I just got only 3 passes for my A/Ls. I sat for the exam again but I got 3 passes the second time as well. Obviously that was not good enough for university, but fortunately because of my sports – I was the vice-captain of the Rugby team, an athlete, a Boys' Scout (have represented Sri Lanka as one of the two scouts for the worldwide Jamboree which was held in Japan) – I had built some leadership qualities and strengths within me. Because of that, I was hired by Carson Cumberbatch, a company with a long history in Sri Lanka. While I was there, I continued to learn, I did a marketing Diploma at NIBM, and then I went on to get the CIM qualification and won the gold medal for best results in the world at the CIM Final examination. Following my achievement, at just 24-years-old, I was hired by John Keells as the Marketing Manager for Keells food. I made Keells food one of the profitable companies in the John Keells group during that time, and because of that, I was made a director of Keells food when I was

27 years old. Also, in that year, we started a new company called Jay Kay Marketing which opened the supermarkets, and I was in the original team which opened Keells Super. I was also in other projects like, bringing Pizza Hut to Sri Lanka, managing the sponsorship of the South Asian Federation Games, which John Keells sponsored, and the Australian Cricket tour of 92'. So those are some of the things I did whilst employed at John Keells. During that time also I continued to study, I went to Sri Jayawardenapura University and I got my MBA from there.

So that was the initial part, but I think the major change in my life happened when I was about 33 years old. Having worked as a director of JKH for 5 years, I went to a training programme; a workshop conducted by a gentleman from Pakistan, who is an American Citizen, called Omar Khan. The workshop was about Neuro Linguistic programming - "Mastery of Self"(Mastery of self through Neuro Linguistic Programming). From this program, I realized that the human mind has so much more potential. I'm sure, you would agree with what I described up to now, I have achieved quite a lot within a very short period despite having quite poor results in my A/L's, but I still continued to realize that I could

achieve. When I went for this training I realized that I hadn't achieved even 1% of my potential, I realized what the human brain can do and I was so fascinated by this concept of NLP, and I continued to follow Omar Khan, whenever he came to Sri Lanka. When I was the Chairman of CIM Sri Lanka I brought him to Sri Lanka every 2-3 months and conducted programs for a lot of CEOs in companies, and later I started doing them by myself. When I was only 35 years, I resigned from Keells, and joined Omar Khan. People were quite stunned at the decision, because they thought, if I had continued, I can be the Chairman of the company, and I know I could have. But I decided that I need to follow my heart. Because one of the things I learnt in Mastery of Self is to find a purpose, and to live by that purpose. On the first day of the training we wrote a purpose, it's like a mission statement. Companies have a mission and I wrote my own mission statement. And my mission was to "help people to become the best they can be, and thereby, improving themselves". So my purpose was to help people to become better individuals, team members and team leaders. After joining Omar; His Company Sensei International (1998), life became actually different. I started training people and lots of companies in Sri Lanka, like Hayleys, Sampath Bank, Singer, MAS Holdings, Brandix and then I was invited to go abroad. My first overseas training was in Pakistan, which I did for a group of companies there, and to cut a long story short, now I have done trainings in 23 different countries, in Canada, in UK, and I have covered the US continent, and the African continent where, I have done trainings in places like Egypt, Morocco, Algeria, and the Asian continent. So that's been my journey up to now.

Furthermore, because I believe in continuous learning, I also took the opportunity to work as CEO of two companies in the last 5 years. In 2009, I took a CEO role of a supermarket chain in Bangladesh called Agora and there I did it because of 2 reasons, one is, I wanted to go back and go to the other side of the scene, because at that time I was a CEO Coach, but I wanted to understand what CEOs are really going through and the challenges people have. That was an interesting 3 year experience, that's the group that I'm very close to and I've known the directors and the families who run it and I really wanted to do something for them. After that, I became the CEO of Apollo Hospital in Bangladesh. The reason that I took it was, because I wanted to go into a completely new industry, and I'm not a medical doctor, but still I wanted to see how to lead a group which has doctors and nurses, and it was completely different. Those two experiences showed me that leaders don't really have to have a

specific industry experience. I can today run a supermarket chain as a CEO, tomorrow I can do a hospital, may be again I can take a Bank, so that flexibility is there as long as you have appreciation and common sense about that business. So that was a good experience for me and while I was doing that, I still continued to work for Sensei. Sensei was the consulting firm I joined and I am still doing projects for about a week every month for Sensei clients, because I also have partners who work with me and they are running most of it. For the last year, I was back again on a full-time basis in Sensei and because I have gained that experience by being a CEO, maybe I'll be doing it 10 years later and for the moment I enjoy guiding many companies simultaneously. So that's my journey so far.

We know that everyone has their own way of doing things. What is the secret of your success? And what were the most crucial qualities that helped you become a role model today?

Yes, I think I'd be able to put that in to 4 points. Number one is "Knowledge"- knowledge is the equalizer. We have a brain that is so powerful so everyone has the ability to become knowledgeable. So I think believing that knowledge is an equalizer is one of the success factors, therefore never give up learning. In fact I'm studying at the moment for my doctorate and that takes 3-4 hours of the day. Therefore, knowledge is important and that is why it is number one.

Number 2 is "experimenting" (Trying different things). I did mathematics for A/Ls and then I did marketing for my graduation and now I'm doing a job that has psychology and leadership. I did experiments in hospitals and supermarkets. So I think continuously experimenting with different things gave me that exposure and that ability to be flexible. And secondly, it also showed me which areas I'm good at, allowing me pick an option.

Number three is "discipline". Because, whatever I picked, I had to decide how best to do it, and then I focused on it. And whilst I picked something on discipline, I was also disciplined enough to learn and adjust what I was doing.

And the final one is "Risk" (Ability to take a risk and letting go). Because I took a big risk when I left John Keells without any safety, I dived in to that. So I think those four qualities helped me to become who I am today.

You and your fellow consultants of Sensei International created the path-breaking

Ranjan is an extremely experienced Team Leadership Specialist & CEO Success Coach, focusing on helping teams to be more aligned, passionate, emotionally engaged, communicate better, and thereby deliver spectacular results



tool Human Performance Index [HPI], which is believed to be a pioneering effort in this area. You presented this at the Bangalore HR summit on the 17th of December 2011, and your paper received the 2nd Runner-Up Award out of 22 papers presented. How was this experience?

I think there are two elements. One is, a brief introduction on what Human Performance Index (HPI) is, and the next part is the Bangalore experience. The reason we say the HPI is a path breaking tool is because most of the time HR tools are designed to measure individuals. If you take something like a psychometric test or a myosin test or even 360-degree assessment, all measure the person. Knowing you and me and her is not enough, because finally the results are delivered not by individuals but delivered as teams. Otherwise, you don't need companies, you don't need departments and organizations, you can just do it alone. So it's crazy to see that people actually measure individuals whilst teams deliver results.

We believe it's the first time a tool has been developed to assess the quality of a team. We may have the best individuals in the team, but if they won't talk to each other, and they don't respect to each other, and if they don't trust each other, if there is no information flowing between these people, the team is useless. So what HPI does is check what happens between a team and the quality of the team itself, so that we can know how effective that team is. In HPI, we check four things, leadership qualities of the people, the quality of team work, individual talent of each person and fourthly we check the drive for results; are they result oriented,

result focused, are they guided by a common objective, are those objectives perpendicular to KPIs. We check all those four elements through 3 lenses (for more details refer to www.ranjandesilva.com). The first lens is the systems and processes to check these elements. Then what is the quality of the engagement – are people engaged in the team? Thirdly, the quality of execution - do you get things done within the team? Sometimes in the current technological era where there are so many things people get engaged with, like Facebook, Instagram, Candy Crush Sagas, your mind wanders all over. Which results in lack of focus on real things. How do people get engaged links back to what really makes them alive. At the end of the day you are in a company, you take your salary, that helps to put food on the table, that helps to educate your children, and clothe them, therefore why not focus your energy and attention on work? Because we spend most of our time on work so we have to give the best effort. HPI was developed by about 10 consultants in Sensei, putting about 15 years of our experiences in guiding different companies, so it has around 150 years of experiences. It is developed with 150 years of real experiences of over 100 companies. That's why it is so valuable and we use that as the tool to guide lot of our clients.

The Bangalore experience was good because I was on the speaker panel on day 2 and I remember there was a panel of people who were also near me and they were also contributing after I spoke. I felt that the audience was highly engaged and they found that this was completely new. Personally, it was

not a big challenge, because I loved this topic and I really liked speaking to big audiences. So that was a great experience. But to know that in India, being a country which has a lot of consultants, they are really high up in their corporate life, to be able to present something like this and to have the second place award was I think quite an experience for me.

You received your theoretical grounding from the Postgraduate Diploma in Marketing from the Chartered Institute of Marketing (CIM-UK), where you received the gold medal for the best results in the world. What can you say about this?

Yes, firstly, I was not surprised, because I know I worked hard for it and I knew that I will get an "A", but I really didn't expect the gold medal, because that was a very practical examination and it was the final paper of the final exam, which is a case study. So this case study was sent to us one month ahead of the exam and the entire class was discussing the case study. It was about a restaurant called, "Straights of Mayfair", a restaurant chain in the UK. It talked about all the issues and problems they are having and then we had to come up with a marketing plan to help that restaurant improve. I think that was a good enjoyable experience because it was a practical situation and I could use a lot of creativity in it.. It was not useful at all to have an open book because it was a practical one rather than theoretical. I had prepared a lot of possible plans, because in addition to the case study they give us about 4-5 questions at the exam. It was a good experience and I also realized the importance of helping others because we worked with a group of about 5 of us and we all met once a week for the case study. Finally all of us passed in the group. So I believe that being in a group and helping each other in the group helps us as well. So I think it gave me a good opening and because of that my name got quite popular in the marketing area.

Can you please tell us about your thoughts on 'Mastery of Self through Neuro Linguistic Programming'? What is the importance of it for budding chartered accountants?

"Mastery of self", if you take those three words, "mastery" is how you master yourself. So what do you mean by mastering yourself? Ability to know yourself well and ability to direct your life in the direction you want it to go. Mastery of self helps people to decide where they want to go, and then it gives them the tools to get there. That is why I said in one of the earlier questions, one of the first things we do is to help people to write the purpose of their life. I think up to

now, I would have trained more than 10,000 people on mastery of self and I think 99% of them would meet me and say that now they are in a much better position, because I have gone through that. It basically helps people to get to where they want to go. Now to do mastery of self, we use the science called Neuro linguistic programming (NLP). NLP is only one of the sciences; I think in the mastery of self-programming (4 days training which will be done over 2 weekends) only 50% is about NLP and we use other sciences like transactional analysis, quantum learning, transformational learning, some spiritualities, sociology and lot of life sciences are brought together, to create this total experience. Mastery of self is a core leading element in side that and what it does is, when you take the word "Neuro" it is the brain and the nervous system," linguistic" is language and "programming" is like programming a computer. So what NLP does is it helps you to programme your brain like programming a computer therefore NLP is a software for the human brain and it helps you to do things. And it gives you a lot of tools like helping you to give up bad habits like smoking and drinking, which takes a lot of time and energy; and it is bad for your health and you can get rid of that, Not studying, oversleeping, overeating and spending too much time on social media, all these habits are time wasters. And sometimes we get so addicted to some of these things and we don't know how much time it actually takes. You can use that time for a more value adding activity. There are also bad memories we have which affects us. So NLP has ways of deleting those bad memories like deleting files from a computer and it also helps to overcome phobias (fears like speaking in public). Even I had a public speaking phobia, which I overcame using these tools and I had a phobia of swimming in the water, now I can swim 10 laps without any issue. So I've used these tools and improved myself, and anyone who goes through these can improve as well.

Chartered marketer or any professional, we have challenges and issues which are holding us back. Sometimes lack of confidence, laziness to study - if you're lazy your exam results may not be good. So a person who has laziness can use NLP to get rid of it and focus on studies. There are techniques on improving your memory and memory techniques to remember things. So all of these is about programming yourself to be successful.

You have also networked with management 'gurus' of the caliber of Tom Peters, Edward De Bono, Jack Trout, Ron Kaufman, Bob Urchuck and Omar Khan with whom you have shared



the stage. All these relationships have been a tremendous influence on your development as a world-class Team Leadership Specialist and CEO Success Coach. What do you have to share about this?

All of these people are highly reputed in the industry and I had the chance to meet them because we have brought to Sri Lanka when Sensei was very active in the early 2000s. We had mega events where we hosted these people in Sri Lanka. As an example Tom Peters, who charges a \$100,000 a day at that time and we had to get more than 10,000 people paying more than 16,000 each in order to cover his cost and first class airfare. We were only able cover the cost and make a small profit by having about 11,000 people at the BMICH in 2000. So again that is one aspect of the risks I took. It's a huge risk undertaken by me and I had to pay him anyway even if it was cancelled. Similarly there are other speakers who are as expensive as Tom Peters.

Edward De Bono, who is known as the father of thinking, Jack Trout, a marketing guru, Ron Kaufman, a customer service guru, Bob Urichuck, a sales guru and Omar Khan, a leadership guru are other examples of people we had in Sri Lanka. One of the reasons I took a risk and brought them down to Sri Lanka is it helped us to make money and also it gave us a lot of visibility as a company. Then I had the opportunity of meeting them, sharing the stage with them, introducing them and doing

Q & A sessions with them. And finally with Bob Urichuck I have done sessions where I did a part and he did a part. Some of the other training programs were too valuable for me to waste the time of the audience. It gave me a lot of knowledge by being with them and the confidence of meeting people who actually have changed the way people think. I am still in touch with them, I communicate with them and read their books. Therefore this relationship has helped me to gain all the qualities and knowledge needed to become a team leadership specialist and CEO success coach.

You are the author of the highly acclaimed book, 'Mind Programming for Sales Success' and 'A Better Way to Sell – Sales Mastery through Self Mastery'. Can you explain about these books and what the target market is?

When Mr. Bob Urichuck came to Sri Lanka and since I also had the marketing background, we decided to conduct a program called the "Sales Power", where both of us were delivering it together. Whenever these events take place, all the speakers sell books they have authored at the event. At that time I hadn't written book and I only had three months until this program. So, I quickly wrote this book and self-published it. It consisted most of the inside messages that was purely done for this event. Finally it was quite successful. Few years later Pearson (the 2nd largest publisher in the world) came across "mind programming for sales success" and offered to publish my book. Then I added



up some new things of mind programming for sales success into the book and finally when we were looking for a title, we came up with the title “Better Way to Sell” and the subtitle was “Mastery of Sales through Mastery of Self”. Therefore the 2nd book is an extension of the 1st book and it was published by Pearson. It was first published in 2006 and the 4th edition was printed this year.

The target market of this book is everyone and not just for the sales people. Because it is about how you build up yourself as a product, as we provide services to companies, and gaining the best value of yourself, which means obtaining the best salary, best rewards.

How did you make the Agora supermarket chain profitable?

What I did first was I went and spoke to customers, I arranged customer focused group meetings and told my marketing guys to arrange meetings with customers as many as possible and they brought them to the outlets and then we talked to them and understood their expectation. Then I talked to my team members and asked about the issues they have and why they find it difficult. Then I spoke one on one to my department heads (CFO, quality department, marketing department, operation department etc.). At first I listened to them and found out what’s going on. And the issue was, people were working against each other and there was no team work. If there is an availability problem, they would blame the supply chain, and the

supply chain said that they couldn’t provide the requirements because the finance department was not paying the customers on time. Then the finance department said how could they pay the customers when the sales are not good enough and the marketing department is not functioning.

From the customer’s point of view, three major issues were pointed out. First is the quality issue, where they had compromised with the quality to keep the cost down. Second was the availability and thirdly the customer service. After I found this out I used communication to solve this, what I did was, I went and spoke with them at each branch once a month in the daily morning meeting and sent weekly emails to all the staff called “thoughts from your CEO”. There I talked about where to improve the potentials. I started with positives, congratulating the staff who received good customer feedback and then when others saw the names of their colleagues in the emails they also got motivated and gave good customer service.

Bangladesh has 160 million people and if you take the top 3% which is around 5 million are super rich people. But each supermarket is only capable of serving only around 10,000 people. Therefore we needed about more than 500 outlets to serve the entire country, but we had only four outlets. So I started new outlets and gave the priority of selecting existing staff for managing the new outlets and the staff was in the impression that to get the

chance of being promoted they need to open new outlets and to open new outlets they need to make the existing outlets profitable. I expected three things from my team and I informed them to get the quality, availability and customer service right. And I gave them training on customer service by hiring people and I coached the top team every month and guided them on talking to each other. Then the customer service went up and the availability improved while increasing revenue and we could pay the suppliers on time and they were giving us good quality products which made the customers happier. That is basically the method I used to get the profits. You can't make profits merely by cutting the cost. In fact I believe that you have to spend more money to make profits. Even Tom Peters said once, "you can't shrink yourself to success", if you want to be successful you have to spend on the right things - developing people, getting the quality right, and getting products on time etc. We did some advertising but our biggest advertising method was word of mouth (trust promotion).

So that means in most of the times you have spoken to people's minds?

Yes, you have to speak to people's minds and hearts.

And then we opened up the new outlets and we promoted the best people out of existing staff as managers and executives. Finally there were 12 outlets at the time I was leaving and 10 of them were managed by the customer service assistants (CSA's). All you have to give is "hope" to people and when you give hope, people get energized and then you should keep the promise or otherwise the people will get disgruntled. I always kept my promises and the people who got promoted were the ones who deserved it. And also we gave a monthly award named "Agora Aponjan" (close ones) for those who gave the best service for the customers - we treated our customers as guests. Those who obtain those awards were the ones who got promotions.

And then I went to Apollo Hospital as the Director Strategy Execution playing the CEO role and did similar things as in Agora for around 14 months. I joined only for 6 months and agreed to stay with them until they find a new CEO. The investor of the hospital (Chairman) was a Sri Lankan (Bob Kundanmal). Sometimes people think, when the leader is not there things will not work. I have proved that it is not the case. Firstly, you don't have to be from the same industry and secondly, you don't have to be there all the time. It helps to develop new leaders. But you should have the IT systems and know what is happening. Even if I'm not there, I get my sales reports every day and I

know where the issues are and with IT you get access to all the information.

What success/failures have you experienced (professionally), and how have you learned from them?

I think I spoke about lot of the successes, where I have learned something from them. As I said those four qualities - knowledge, discipline, taking risks and experimenting by doing it, you keep learning. There are some failures as well, sometimes I get more passionate about delivery (training, consulting) and I may not spend enough time on selling. In fact sometimes we had some cash flow issues during the times that I was busy with doing lot of sessions, suddenly I found out that the sales was not continued. I learned from that and now I make sure that every day I allocate time for selling. So we developed a system named Sales Funnel, which contains things to be done on each day with regard to customers. One of the failures was that we hadn't focused enough on sales and that had an impact on managing the things. One of the other failures was expecting a higher number of participants for sessions than reality (When the earlier session was successful expecting the same thing to happen again). For learning you have to take every new project afresh, you can't expect what worked during the past to work for you in the future. Another failure, which we are now correcting is that we haven't used enough technology. Therefore, now we are in the process of developing a new app with some online learning tools, because there is a lot to learn through technology like online courses.

Finally, what advice do you have for budding chartered accountants to succeed in their career?

First, get the foundation correct, which is the "technical knowledge" (accounting and financial knowledge) by doing the exams. Parallel to that you must develop your "soft skills" (developing the confidence, the communication skills, risk taking ability, and thinking).

The second advice is to enhance your knowledge not just focusing on the accounting side, but learn things around you and other disciplines (What does the HR department do? What does the Marketing do? What does the operation department do?), then you become more effective and you'll understand what others are saying and what challenges they are facing. Otherwise accountants are seen as "controllers", the ones who are there to block things. That image has to be taken out and



accountants should be seen as a “facilitator” for businesses. And then they know where the money is moving, where it is coming from, where the costs are. So they should be in the middle and the people should see them as valuable assets in the company and actually be facilitating their departments. Marketing manager should look at the accountant as his best friend helping him to be effective in marketing. The operations guy should look at the accountant as a best friend not as an enemy or someone who is blocking him. So for that you need to understand them, you need to talk to them, read about the functions and take short courses.

Thirdly, they should pick the industries that they really love to be in. Some may like to be in apparel industry, mobile communication industry, banking industry, supermarkets or hospitals etc. Pick the area where you love to be in and at the end you have to follow the dream of being a CEO. So you have to pick that area that you really love to be in and then develop yourself in that area as well (read about the industry and take courses related to the industry). And also try to get in to jobs in that area which you like to be and which is close to your heart. When you have something close to your heart, you will have all the energy and excitement to go and do it. So if you really love fashion for example, and you are in the fashion business, even if you are an accountant you will really love to go early in

the morning because of the surrounding. On the other hand, if you love music and if you are working in a music company, you will really enjoy work because the music is all around you. So pick the area where you love but don't wait without doing anything until you get that job. I always feel, whatever you get, take it and keep looking out and then slowly get in to your arena. Even though you love fashion, you might be in a restaurant, never mind, be there and do a superb job and at the right time the opening will come. That's the broad guideline I could give.

Aim to be a CEO one day but try to be in the industry that is close to your heart. For that you will have to build the image, who is supportive, a value adder, an enabler and not a restrictor.

Take one-step beyond being a CFO, you can be a CEO, a business owner and may be keep going. And then finally when you decide to retire, you can share your knowledge with others by being a teacher, a consultant, or a professor in a university. Life doesn't end until you die.

Interviewed By

Prashan Muthugala - KPMG

Ashaff M.S.M – EY

Hansanie Dias - KPMG

Saugandhi Chathurika -

Wickramasinghe Dayananda & Company

Dilshan Akalanka – Wijerathna & Co.,



Accountancy

a profession beyond
"Debits" and "Credits"!

By : Rajeendra Wickramaratne

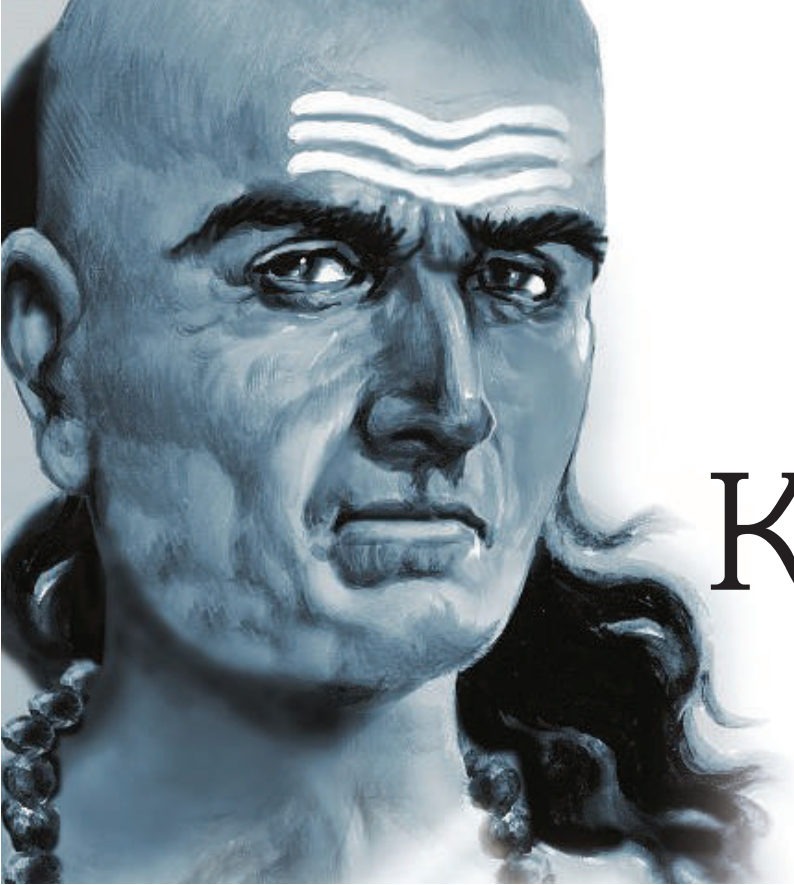
All us individuals aspire to achieve great heights early on in our lives, "Who do you want to be when you grow up?" is a question that everyone has answered at least once in life, and the typical answer to this question expected from a young person in our contemporary society would be one of the following "Doctor! Engineer ! Lawyer! Cricketer! Race car driver! Military officer! Keeping this in mind we move on to selection of subjects for advanced level or higher educational qualifications, generally speaking within traditional bounds of our society students have a higher tendency of selecting either mathematical, biological or arts subjects, Accountancy subjects are regarded as inferior subjects by many and are selected as a last resort if students are unable to obtain higher marks to be eligible for other fields of study.so now the nagging questions why not be an Accountant? Why not be a finance professional? Why all this Skepticism? The following few words may grant insight into this rarely discussed aspect.

Accountancy is an evolution of the basic double entry book keeping system invented by Florentine merchant Amantino Manucci towards the end of the 13th Century (Luca Pacioli is considered to be the father of the double entry bookkeeping system as he is the first to publish a detailed description of the double entry bookkeeping system).This system relies on a simple concept of entering a debit and credit amount to record a financial transaction and is the foundation on which the accountancy field is built on. Modern day Accountancy consists mainly of Financial Accounting, Management Accounting, Taxation and Auditing. Accountancy plays a vital role in every organization today ranging from pawn shops to multinational conglomerates. A common misconception is that Accountancy is a form of feedback approach, a system which presents the financial performance and position of an entity as a result of past decisions made which it is not. Current developments in financial/management Accountancy (Ex IFRS, valuation models) have negated this theory and and provides decision makers with timely and

current information and facilitates effective and concurrent decision making while maximizing stakeholder wealth.

The image that first comes to mind at the mention of the term Accountant or Accountancy is probably a spectacled person (commonly known as a nerd in popular culture) holding a calculator and a large briefcase! This is the image of an Accountant employed probably during the 60s or 70s era who only entered and recorded transactions using basic mathematic formulas and concepts, thus even though the basic "Debit" "Credit" function of accountancy has evolved into a completely dynamic field with the passage of time the image or perceived value of the profession has remained stagnant while preference of other professions such as Medicine and Engineering prevail in the general society. Today Accountancy offers a wide spectrum of career opportunities, knowledge and experience and is a driving force behind successful organizations. It is therefore the responsibility of professional accounting bodies as well as all finance professionals to not only strive towards development of the profession but also to inform the society at large of what Accountancy truly encompasses.





Kautilya

The Kingdom maker's vision for Organisations

By : Varsha Venkatesan

Kautilya or Chanakya as he is famously known is synonymous for intelligence. He was perhaps the first King maker and more importantly the "Kingdom maker". He was able to identify the Kingdom as distinct from the king himself and devised a comprehensive plan or strategy for its administration, which even today is relevant in its application to management and administration of today's complex organisations.

This paper attempts to bring out the convergence of the principles of administration of kingdom and those of today's organisations. The commentary is only on his work Arthashastra and in as much as its reference to the organisations.

The convergence is studied under three main headings of

1. A brief insight into Chanakya's vision of the Economics and Economic environment of business
2. Management and Governance of Organisations
3. Accounting of the business and Audit as a tool of internal control

Economics and Economic Environment of Business

In an era of globalisation and after centuries of accumulation of knowledge, we have reached the stage where a private entrepreneurship and its encouragement are perhaps the best of the choices towards economic development. But to have visualised this in the times of king's rule, shows the deep understanding of economics by Kautilya. His thoughts on the economic environment of business are the cornerstones of economic understanding and development even today.

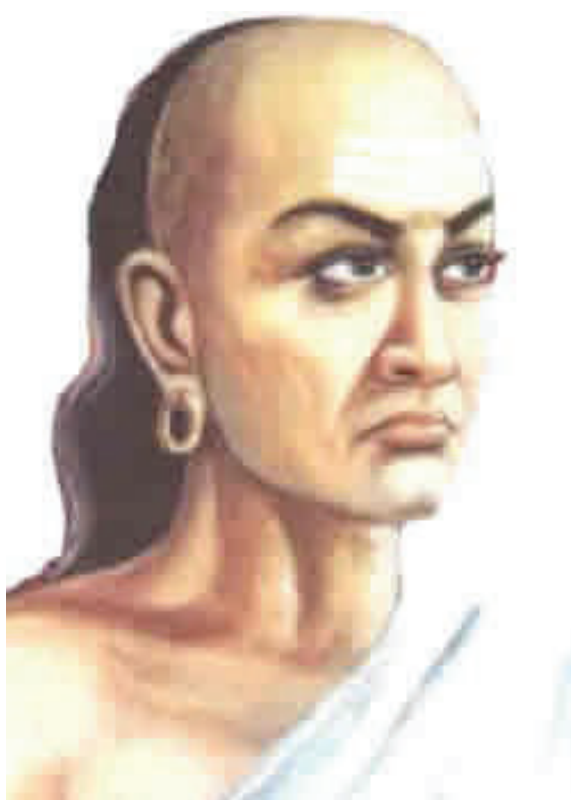
In the current scenario, every organization has statements of vision and mission and more so the successful ones. These two statements define the aspirations of the organization which will propel it to grow and develop. Even in the 21st century it is considered a step towards advancement. But about 25 centuries ago, Kautilya was able to enlighten his King with the concepts Prabhushakthi (vision) and Manthra shakthi (mission) and its application to the governance of the state. He also considers the prominence of Utsah shakthi (motivational skills) when he comments, "A wise king can make even the poor and miserable elements of his sovereignty happy."

Arthashastra dwells on the incentivisation of development of private sector. It goes to extent of offering tax holidays for new start ups which is today perceived to be a modern tool of energising private sector participation in economy. He suggested "Anyone who brings new land under cultivation shall be granted exemption from payment of agricultural taxes for a period of two years. Similarly, for building or improving irrigation facilities exemption from water rates shall be granted". We see that this is the exact application in bringing industries to backward areas and new geographies. But that is not all – he even went to the extent of offering interest free loans, both in cash and kind for new start ups – He says, (On new settlements) *the cultivators shall be granted grains, cattle and money which they can repay at their convenience.*

Another notable of his ideologies is that the infrastructure development of the state was the responsibility of the kingdom. He envisages it as the base for any progress in the economic scenario. He says "The kingdom shall be protected by fortifying the capital and the towns at the frontiers... It should have productive land (free from

swamps, rocky ground,). It should not depend [only on] rain for water. It should have good roads and waterways. ... (6.1)." This is no different from what it is today, when the governments are expected to improve infrastructure. He goes beyond this and of course our imagination when he says that the infrastructure should also have a scope for expansion. This is amazing foresightedness and wisdom.

Kautilya's works on politics, economics and taxation have been focused upon more than that of his management principles. He is known more of a political thinker than that of a management guru. That is far from truth, he was a true Acharya, who also propounded management principles and governance rules.



Management and Governance

Kautilya's various propositions of the management and governance of the kingdom applies to organisations of today as well. The major tenets of his principles, that are of big relevance today are seen hereunder.

1. Leadership:

Back then, Leadership flowed from authority by position and this positional authority was given importance. However, he moved its focus to acceptance of the leadership. Acceptance of leadership would flow only if the leader was an embodiment of the following virtues.

- a) Decision making ability
- b) Courage in the face of adversity

- c) Discretionary exercise of power
- d) Team player
- e) Of Impeccable Integrity
- f) Vision in anticipating the future
- g) Self disciplined

The codifications of such virtues were much ahead of his times, where the autocratic leadership styles were the order of the day. All of the virtues as above have found their place in definition of leadership in organisation. Every leader is expected to possess these qualities and these would override the importance of positional authority.

2. Organisational Structure:

Chanakya gave a formal structure to the various departments of the kingdom defining the positions and the roles much like the Job description and the Job specifications of the day. He theorised that a formal structure gives rise to functional specialisation and improved the performance of the organisation. Division of work and specialisation thus came into foray during his times though not named as such. His functional divisions of the kingdom interacted with one another to produce synergies never seen before. Thus, this template of organisational structure outlived its times and can be seen even in today's organisation.

Kautilya set out the following as the constituents - "The king, the minister, the country, the fortified city, the treasury, the army and the ally are the constituent elements of the state" (6.1.1) - Drawing parallel to the parlance of the organizations, the king would be the leader of organisation, the ministers would be the management team, the country would signify the organisation thus managed, the fortified city could be the equivalent of the controlling or corporate office, the treasury would be the finance department, the army would be the team of people and the allies could be likened to vendors and suppliers.

3. Risk Return Trade off:

We see in the contemporary banking, the interest rates being governed by the volatility of the returns in the trade. The higher the risk of the business, the higher the interest rates owing to the risk factor. This was suggested by Chanakya many decades back. He proposed much higher interest rates for the trades that involve traversing through forests and seaways. The interest rates for those risky adventures were higher than 100% and in some cases even more than 200%. Thus he envisioned the concept of risk return trade off and has ensured it in the administration of his times.

4. Ethics:

Ethical environment is thought to be of recent origin and has been very recently formalised. But he was able to look ahead of his times and also suggested some principles that could ensure an ethical environment. But, he was talking more about the action oriented principles like golden rule, servant leadership which are separate management principles in themselves.

The concept of “Servant Leadership” gave an equal or an even greater prominence to the kingdom as against that of King, who was traditionally considered supreme. He says, “The king (leader shall consider as good, not what pleases himself but what pleases his subjects (followers)” “The King (leader) is a paid servant and enjoys the resources of the state together with the people.” This is exactly what Henri Fayol conveyed by the concept “subordination of individual interest to the group interest “. Kautilya had the brilliance to identify the same and suggest this centuries before Henri Fayol had formalised his work into one of the most coveted theories.

5. Consumer Protection

Unscrupulous exploitation of customers seems to have existed even in the past. That was probably the reason why Kautilya proposed to establish a council to protect the customers from the irresponsible traders. The significance of Consumer Protection remains unchanged even today. Several legislations have been enacted and forums have been established to address this need and thanks to Kautilya to have given us the beacon.

6. Whistleblower protection:

Many a time we come across instances of whistleblowing. It was very commonly believed that this public declaration is of very recent origin. Most of us are under the impression that these have come up due to the metamorphosis in the thinking of the people in the organisation who have gotten over the fear of persecution because of the protection given to whistleblowers.

Kautilya had discussed this even while the general commerce was just at the sprouting stage shows that he was able to look ahead over hundreds of years. He pushed further and provided for incentives for those who blew the whistle on frauds.

He proposes, “ *Any informant, to whom an assurance against punishment has been given (even if he had participated in the fraud), shall, if the case is proved, receive one-sixth of the amount involved, if the informant is state servant, one –twelfth.*”

7. Retaining one’s position

Kautilya suggested a more gentle style of handling the kingdoms competing for power. This is a novel method and seems to be a better alternative to the declaration of war as the latter involves tremendous loss of life and property. His style was more of “nibbling by the sides” where instead

of launching a full-on war, he proposed patronizing few of the smaller kingdoms (which face the same competitor) and together they would bring about the downfall of the opponent.

This is exactly how the smaller firms in the industry tackle the industry leader.

Accounting and auditing

Kautilya was able to present a detailed accounting manual which besides listing out the accounting principles.

He addressed the problem of conflict of interest from a different angle. He proposed for the separation of office between the one managing the assets and the one accounting and auditing it .Today, as long as the auditor is not the one doing the accounting, it is of no problem even if the one managing the assets is also the one accounting it. Despite the fact that this is not perceived as conflict of interest in today’s terms, the time is not very far for it to be reckoned as such.

He also proposed an entirely new dimension to the proper estimation of the profits. Back then, the external sources of funds for investments were not very easy to be brought in. It was only the surplus generated from the existing investment which was readily available. That is, the capital for the new projects was nothing but the profits earned in the previous venture. In such a case, proper estimation of the same would mean a proper planning for the economic development itself .This calls for scientific understanding and estimation strategies should also be carefully and intelligently framed. We can see a striking similarity between what he said and what planning associations of today are recommending.

Conclusion:

Arthashastra, the name which translates into the science of wealth, gave a rich system of creating, managing and protecting wealth. Kingdoms were synonymous with wealth in those days and therefore the art of managing and protecting the kingdom translated into those of wealth too. The wealth of today is created, managed and protected by organizations and therefore it is but natural that the principles set out for the kingdoms stay relevant to the organizations as well. To conclude, in the words of Chanakya , “*If you get to learn something, don’t hesitate*”. The principles and practice of Arthashastra have stayed relevant well over 2500 years and would continue to present a treasure chest of knowledge in many more centuries to come.



CA Students' Conference 2014 Pakistan

“Move out of the Box”

The annual CA Students' conference organized by the CA Students' Association (CASA) of the Institute of Chartered Accountants of Pakistan was held at the Movenpick Hotel, Karachi on 22th of December 2014. The Conference was based on the theme “Move out of the box”, which enlightened a platform to think out of the box as a Chartered Accountant.

This conference was witnessed by seven CA Students' from Sri Lanka including the Sports Secretary, Public Relation Secretary,

Ex-Treasurer, Ex-Public Relation Secretary, Ex-Social Secretary, Ex- Assistant Social Secretary of the Chartered Accountants Students' Society. These participants had the opportunity to share the thoughts and affiliate with the Pakistani students during their short visit. Mr. Ravith Goonawardena (Ex- Treasurer) and Mr. Kushan Pathiraja were given the opportunity to share their views on the Conference theme at the panel discussion, which took place at the Conference.



...I'd let you audit my file.



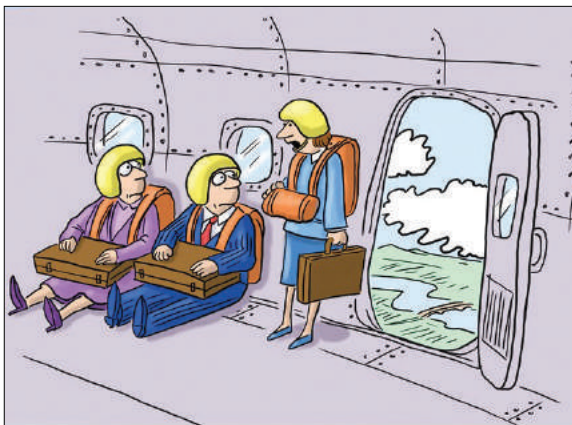
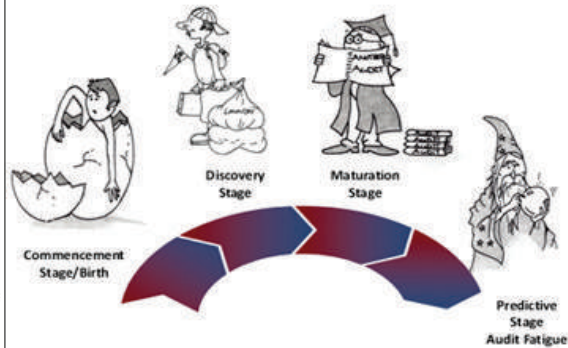
Keep smiling - maybe the auditor will forget about those reports she asked for yesterday



**WORK SO HARD
THAT ONE DAY
YOUR
SIGNATURE
WILL BE
CALLED AN
AUDITED
FINANCIAL
STATEMENT**

**ONLY
ACCOUNTANTS
CAN SAVE
THE WORLD!**
... through peace,
goodwill and
reconciliations.

Audit Life Cycle

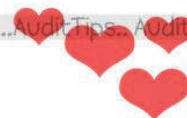


"We're going to parachute in and do a surprise audit, but I want to keep the whole thing low key."

Journal Entry for Love

Girl Friend A/c..... DEBIT
Petrol A/c.....CREDIT
Cash in hand A/c.....CREDIT
Cash at bank A/c.....CREDIT
Other Assets A/c.....CREDIT

AuditTips...AuditTips...AuditTips...AuditTips...Audit



(Being love expenses incurred and the Boyfriend declared insolvent)





Interview with

Chandran Rutnam

Today the name “Chandran Rutnam” has become a renowned name in the film industry both locally and internationally. Was this your childhood dream? What inspired you to become who you are today?

First of all, although what you said was very complimentary, it is not true. Unfortunately the word “world renowned” has been frequently misused, especially in Sri Lanka. We have to be more careful when we use those words. If you call me world renowned I should be known throughout the world, but I am not known throughout the world, I’m known in Sri Lanka, may be a little bit in India and may be a little bit in

Hollywood as I lived in Hollywood for 40 years. The words “world renowned” should be saved for people like Arthur C Clark. He and a few others like him are truly world renowned. Even though I am very complimented by what you said, I have to admit that I have not earned that title yet.

Moving on to the next part of your question, I was brought up in a wealthy family with 8 children, my father was a successful businessman and a politician who cobreaded Mr. J R Jayawardene and Mr. R Premadasa without success. I was brought up in an affluent home in Colombo 7 and my primary education started from St. Thomas’ Prep School

in Bandarawela and St. Thomas' College in Guruthalawa. I was always in a boarding. That made me independent. I consider myself one of the luckiest people in Sri Lanka, because what I got from my school is what propels me as a human being, as an artist, as a businessman and everything I do. The reason I say that I was one of the luckiest is because during that time there were British Educators like Dr. R L Hayman, Mr. W.T.Keble. They were very great educators. They did not just take care of academics but took care of the student as a whole. The biggest influence in my life was my pastor, Reverend A. J. Foster. The irony of his influence was, that he was my pastor and also my boxing teacher. You might wonder, what was a passive man doing an aggressive sport. A huge contrast. But as a whole it became something very special. Additionally to our education, there was a program called 'The Outward Bound School', which had us going on hikes and various other things such as cutting the grass in the cricket field and many more. Those british educators were hugely supported by Sri Lankan students who learned under them like Mr Bradman Weerakoon, Mr D P S Dulip Kumar who became great personalities in education in later years.

From my school days I was interested in the film industry. My career in the film industry began on the day when a young handsome foreigner named Eddie Fowlie visited our home in search of a house for rent. Our adjoining house was advertised for rent. This man wanted the house for six months but my mother was looking for a longer rental period. She was not interested. I had this feeling that he might be someone who is related to the film industry and persuaded my mother to rent the house. After some time I got closer to that gentleman and found out that he is a property master who had come to Ceylon to set things up for the production of the film "Bridge on the river Kwai". After awhile in Colombo he had to move to Kithulgala as the bridge depicted in the film was being built in Kithulgala. When I asked him whether I could be accommodated and work for him, he refused as he was unable to provide me with accommodation on location in Kithulgala. Regardless, I proceeded to Kithulgala and found my own accommodation and made myself available. From then onwards I worked as one of the helpers in the production of the film. I worked there for period of 9 months. That was my initiation, my education and my inspiration.

We know that you had the distinction of working with the world renowned filmmaker, Steven Spielberg and other greats like Sir David Lean and Sir Carol Reed. What are the valuable experiences that you experienced while working with such personalities.

Now the term 'world renown' applies to Steven Spielberg. The film business is not something you could learn academically. Yes one could go to a film school and learn the rudiments of the process. You could learn the rules. But when you work on a film in any capacity you will absorb the process by osmosis and you will be able to be creative and break to rules in such a way that you be able to create originality and enhance the experience with your individualistic vision. It is a matter of On the Job training. If

you are to really be a filmmaker you will get the feeling, the urge and the passion.

When it comes to all those personalities that you mentioned, everyone has their own different technique. For me, I have my own technique which was developed by watching the techniques of the great personalities you just now mentioned. So, each time I work with them I add value to my technique, and in the process I have grown to be whoever I am today. All those personalities contributed my growth as a filmmaker. I have absorbed so much from them along the way on this wonderful journey in the film industry.

We came to know that Steven Spielberg once referred to you as "Our most valued friend in the Far East". What do you feel about his statement?

I am nothing but honoured by what he said. But what I honour more than his statement is the friendship that we even now maintain. He was one of the inspirations in my life. He thinks out of the box and he is a very good listener, even though the Director is the master of the set.

For us to know more about you, can please share some of your life and experiences in United States. Work experience at Warner Brothers Studios, your University life and Military life.

To start from my life in The United States. With the help of the contacts that I had from assisting the production of "Bridge on the river Kwai", I was able to find myself a place in the film industry in Hollywood. Firstly I worked as a production assistant for actor William Holden and then I started to work for Warner Brothers. I worked in a lot of departments, so the overall exposure that I received was beyond expectation. I also had the opportunity to be with all those big stars, producers and directors.

With the passage of time I got married, I had wonderful children. Further when it comes to my academic life in the US, I went to law school, not to earn a degree, but to learn contract law as it was an integral to the industry.

Born	: July 22, 1948
Occupation	: Film director, producer, screenwriter, entrepreneur Known for Film making
Title	: President & CEO of Asian Film Locations Services & Ex-Chairman of Lionair & Chairman of Asian Aviation Centre & Chief Consultant at Selvasingam Consultants
Religion	: Christian
Parents	: Dr. James T. Rutnam & Evelyn Wijeratne
Children	: James, Daniel, Evelyn, Chanel & Danara

About my military life. In those days it was mandatory to serve in the military. Before I was conscripted I decided to enlist in the US army. The training that I received was excellent. The discipline and numerous other factors that

I was fortunate to get from the army prepared me for my adult life to be able to fearlessly face any situation. I am proud to say that I was an Expert Marksman And have the medals to prove it.

What do you consider as your highest achievement, your highest award, and what went through your mind when you were felicitated?

When it comes to achievements, for me the highest achievement is my life process and who I am today. But still even now I cannot be content with my current achievements as I wanted myself to improve more. Further with regard to the awards that I received, the highest material award that I received was winning the Best Director and Best Picture Award for "Common Man" in the year 2013. I was really honoured by the award as no other Asian directors have received such an achievement in an international festival in the last fifty years.

Nowadays every parent want their child to be Doctor, Engineer or an Accountant. They do not give the freedom for their children to join this kind of stream. What is your impression regarding this scenario?

Yes even when I was growing up we were supposed to be a Doctor, Engineer, an accountant or a civil servant. That was the benchmark back in those days. Fortunately I had no interest what so ever in those areas. But unfortunately as you just now mentioned, parents never followed the instincts of their child towards a building of unique or unusual talents which contradicts the standard expectations of the parents.

Today I too have several children and from all what I have learned from my life so far, I tell them only one thing. You be what you want and who you want to be and my only condition is that you have to have your academic base. They must have the ability to survive in any field that they have chosen for themselves.



Parents wanting your children, at first you might

feel that you are doing something good for your child. But eventually, later on in their life when they realize that they are doing something that they never wanted to do, when they lose interest in what they do, there will be no turning back or a restart button for their lives.

An odd question Mr. Chandran, have you felt any special interest towards any actresses during your career?

Yes I have felt special interests towards not one but many actresses. I mean just think, most actresses are attractive and in the film making process one gets to know them. You either admire them or you don't. When working, especially when directing, it is important to keep a friendly respectful relationship and nothing more. But what I may feel towards someone is my business and there is no reason to divulge. I keep all those feeling to myself.

I am happy that you brought up that question. Firstly putting all those feelings aside, I always constantly remind myself that film making is a business, I am doing a profession. I think it is important for a professional film maker to act professionally when working on a film set. That is very important which is why I follow that code everytime. Just imagine, whoever the actor or actress, or the wardrobe girl, or the catering lady, or a prop man, all are coming to do a job. So I consider it is ok to be friendly with your crew but at the same time we have act professionally too in order to accomplish our mission. Respect your artistes and your crew and get the job done. That has been my practice since the day one of my career.

And moreover there is something that I always remind my staff. Specially those who work in the casting department. They have the special job of bringing talent to the producers and directors attention. This is a very influential and powerful position with access to aspiring young men and women. When you are in that position of power, which is temporary, should not be abused or misused to their advantage.

Can you tell us more about your Asian Aviation Centre and the basic functions of that business?

We made a film in Kandy, based on a Vietnam war story, We rented 5 helicopters from Sri Lankan Airforce. Every day they would fly from Colombo to Kandy and after shooting they return back to base at Ratmalana I fell in love with the helicopters, which even led me to go and ask the commander whether I can travel everyday from Colombo to kandy, so that I can travel from my home rather than staying at a hotel on location in Kandy.. From then onwards I have been a huge fan of helicopters, and I felt that I had to own one.

One day when I was in Maldives, I noticed a Russian helicopter with 24 seats. I had the opportunity to meet the owners and requested them to lease the helicopter to me. With that I thought of starting an airline and provide airline service to places within Sri Lanka such as batticaloa, Jaffna, etc. I started a company called "Lankair" and started operation. Unfortunately later on we found out that the one

who rented us the helicopter is not its true owner. After that incident I handed over the control of the company to the management and resigned from the company.

But my dream of aviation did not end there. Together with an American friend who shared my dream, went to Ukraine and purchased and leased five Antonov 24 passenger planes. We came back to Sri Lanka and started "Lionair" in October 1993 and started operations in 1994 providing aviation service around the island.

Apart from Lionair, we have a Flight Academy, training pilots along with an Aerospace Engineering College, affiliated with Kingston University in the United Kingdom. "Asian Aviation Centre" is managed by my wife.

You are a pioneer in the field of domestic aviation. Do you plan to establish another airline?

Yes. I would love to have another airline because it is a field that I love. Our Lionair did 18 flights per day to Jaffna and was very popular. It was the only means of travel between Jaffna and Colombo during the war. One of our planes was shot down by the LTTE. For me it's not money, I just have this passion for aviation. We have achieved a lot. We have created history in domestic aviation. No, I am not content. I want to do more.

Today there is no even playing field for the development of domestic aviation. This is the only country in the world that break the rules of world aviation. The rules are set by the international aviation regulatory, ICAO. This is the only country in the world where the air force conducts

domestic aviation with aircraft that does not have a current air worthiness certificate and does not provide adequate insurance coverage for paying passengers traveling in air force aircraft. Where nervous passengers are compelled to sign a document that absolves the air force of any claim in case of a tragedy. We love the air force and are proud of the air force contribution in the victory over the LTTE. Can a private sector airline compete with the air force airline that breaks world safety rules and standards, that has concessions for fuel, landing and parking fee and other sundry advantages and concessions?.No we cannot. Air Force pilots do not qualify to fly paying commercial passengers. If we have an even playing field in domestic aviation, competition will create a first class and safe domestic air travel that this country should have and claim the tag line of the Wonder of Asia.

What are your views regarding the Film industry of Sri Lanka and future of Sri Lankan Film industry?

I think the great future for Sri Lankan Film industry is emerging only now. Due to the new technology, which has let new talents come to the surface. But the problem is there is no good national policy on Sinhala cinema. The space for cinema is limited, almost no place to move around. But if there were more space and independence, new talents will emerge and can be showcased. Then the future would be crystal clear. So excluding the con factors, I would say that this is the beginning of the new golden age for Sinhala cinema. The quality of films of Sri Lanka has improved tremendously, we have wonderful new directors who are showing their talents..



Since you brought it up I would like to add that the Sri Lankan film industry never had a proper backing by any government or any institution for that matter. The governments never understood the industry and still does not. For example, 15 years ago digital cinema came into being. For 15 years we have been arguing about 4K, 2K, 5K, 3K, eFilms, celluloid, tape, digital etc. But nothing has been done. Now the age of digital cinema is gone. We missed the boat. The cinemas were not worthy of attending, they were unpleasant, the ambiance and the atmosphere had vanished. We lost a lot of viewers. People would rather stay home and watch films on TV. Further our lifestyles have changed to such a point easy access is the name of the game. So it is high time that we get out of our comfort zones and traditional methods. The film industry is a business and should be listed under the Ministry of Industry and not the Media Ministry. The National Film Corporation served its purpose in a bygone time. It is now obsolete and should be scrapped. It does not serve any purpose other than delay decisions that they do not understand in the first place and delays all decisions that they understand. The Advisors to the President on Cinema are actors who excel in front of the cameras and nothing else but dance to their own agendas. Hand over the film industry back to the private sector and watch it grow.

“Chandran, Our Most Valued Friend in the Far East.” - Steven Spielberg

For an instance my new movie “me wage adarayaak” can be watched the comfort of your home on Dialog TV or you can watch it on your phone, for a very reasonable cost. This system is used for the first time in Sri Lankan history. The first movie as I said will be released soon and it’ll be available on air for 1 month on Dialog Home TV.

Hand over the film industry to the private sector and watch it grow. Sri Lanka has an abundance of young talent that must be allowed to surface with these changes.

What if at some point you have to choose between Film industry and aviation industry, what will be your choice?

What you are suggesting is like asking a father to choose between his two sons. I think that would be the better answer for your tough question. It is impossible to choose one over another as I am passionate about both the industries. But what I can say is, I am more personally involved in the motion picture business. And I do have to admit that ‘being a pilot’ is still in my ‘to do’ agenda though now it really seems impractical. But still there will be no choice as both are equally important for me.

You are a dreamer. “Every time when one dream is fulfilled, six more dreams just pops into my head. So I dream.” So tell us your belief in dreams and their importance so that it would motivate a lot of young talented professionals.

Even in the professional field, let it be medicine, marketing, legal or even accounting there are always new ways of doing them, innovation is inevitable. The world is changing all the time, technology is changing. Just take your mobile phones, 1 year back the phones that you considered the best and expensive, now has lost its value. In the same way, just because we fulfilled one dream it doesn’t mean that is the end of our life’s achievements, that we now can be content with our life. But the answer is “No”, once you fulfill one of your dreams, you need to improvise and search for new opportunities. The cycle never stops, only then can we move on successfully.

Please share your thoughts on your upcoming movie “According to Mathew” starring Jacqueline Fernandez and Alston Koch. .

You see as a film maker I write scripts, some of them end up being a film, some don’t but some may end up as a film at an unexpected moment. So we keep our scripts with us until such a moment arises. This film was also such a movie, I had written the script long time back but found a producer only in the recent past. This film is based on a true life story of





Father Mathew, he was a pastor at St. Paul's Church, Borella.

A friend of mine Alston Koch who is a Sri Lankan, living in Australia was interested in this story. So he bought in a new investor, I cast him to play father Methew and Jacqueline to be his girl friend, and we shot the film. We will be releasing it in another 3 month's time. This is another big film for me as it will be released internationally.

Finally what is the message that you would like to convey to the CA students of Sri Lanka, who will be the future leaders in the corporate field of Sri Lanka?

Integrity, Honesty, Respect towards individuals, first yourself then it'll automatically flow to others. Be kind and be

Interviewed By

Ruchira Perera - BDO Partners
Uthul Siriwardena - Wickramasinghe Dayananda & Company
Ashaff M.S.M – EY
Jayashan Grero - Tudor V. Perera & Co.,
Sammani Walpola – Fernando & Co.,

courageous. When one says to "No" to what you have done, you must be responsive to it, but positively. So that the next time you attempt, it'll be better than your previous attempt. Always remember that when you take the elevator and fulfil a dream, to send it down so that some one else will be able get on and go up.

I take this opportunity to also thank the CA Students' Society for giving me this opportunity to share my thoughts and myself to the budding future leaders of our country. And I wish best of Luck to all of you.



ACCOUNTANCY

By : Pubudu Madushanka

Accounting, or accountancy, is the measurement, processing and communication of financial information about entities.

This is the simple definition I would like to use for accountancy among many other definitions given by the professionals. Accountancy has become the most important source when it's come to decision making in the organizations today. Decision makers such as management, investors, creditors and regulators make decisions based on the information given by the accountants. There for role of an accountant has become a major part of any organization today. Some people might say it just putting some numbers in a standardize format but after you go through this you will understand that accountancy has a major impact on economy as well.

History of Accountancy

The history of accounting dates back to ancient civilizations, however the birth of double-entry bookkeeping in the 14th century is seen as being the beginning of the modern accounting period.

The Renaissance period in Italy (14th to 16th century) saw many major developments in accounting practice. At this time, Arabic numerals were first used to keep records of business transactions in place of Roman numerals, and record keeping developed on a large scale. In 1494 Luca Pacioli described double-entry bookkeeping and other commerce-related concepts.

18th Century

during the Industrial Revolution, methods were required which could be used to track costs related to large scale production in factory-manufacturing operations. Josiah Wedgwood, the founder of famous pottery manufacturer

Wedgwood is considered by many to be a pioneer in cost accountancy.

19th Century

the early evolution of accounting was dominated by advances in bookkeeping practice. There are numerous books chronicling this progression. The century following the industrial revolution saw great progress from the "method of systematically recording [financial] exchanges into a means of giving business management an effective control over its affairs".

1854 - On the 6th of July 1854, a petition was signed by forty-nine accountants in Glasgow asking Queen Victoria for the grant of a Royal Charter. Thus the formal accounting profession emerged in Scotland with the formation of Edinburgh Society and Glasgow Institute of Accountants. The title 'Chartered Accountant' was decided upon and adopted for members of the Society, 1880 - In 1880, the Institute of Chartered Accountants in England and Wales was formed, in 1887 the American Association of Public Accountants was formed.

20th Century

On the 19th of June 1928, a Royal Charter was granted by George the Fifth, establishing The Institute of Chartered Accountants in Australia upon recognition that the "profession of Public Accountants "

Accountancy was started with the double entry concept and today where everything goes with the technology, we can talk about accounting & computer software.

Computers have reduced the cost of accumulating, storing, and reporting managerial accounting information and have made it possible to produce a more detailed account of all data that is entered into any given system.

Adoption of Economic Growth Model in Indian Scenario (Underpinning Chinese Model)

By : Hridesh Jain

Now when we try and analyse the precepts of a particular economy we need to understand and consider an oodles of factors which drives, influences, and dominates the performance. Why is it, at the first place important or rather why do we even consider comparing the economies and its model?

The reason behind it is cause both the countries, by virtue of their size have the potential to be dominant economic powers firstly in Asia and then globally. They are already having an effect on global economic, trade and financial relations. And they are a key source of activity in an otherwise soft global economic landscape. In short, they matter now and are likely to matter in the future.

China, as the statistics indicates, has by far been the world's largest economy by nominal GDP, ranks second after the US.

There'll be no point of dispute on the growth testimony of the Chinese Economy, could probably be the fastest growing major economy.

Ranks at the top in terms of exports & imports. The largest content of demographic diversity & still has a hold on capital intensive techniques. When we open the books of history and peep in we'd realize China has always been good in terms of relation with the world, is an active member in the UN and other international organizations.

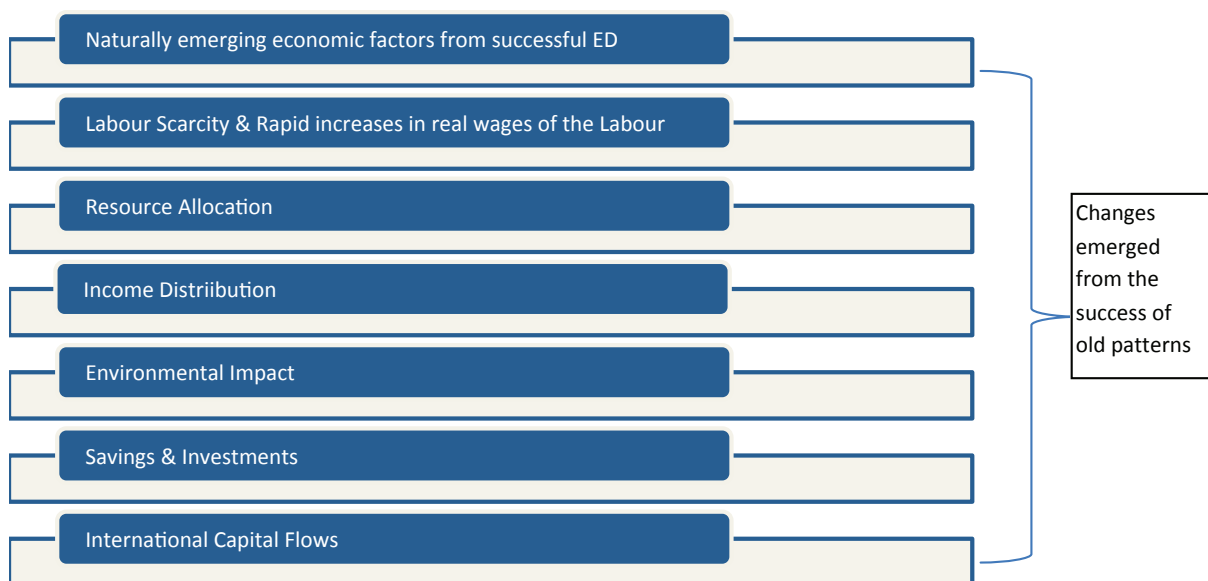
An important thing that needs to be cited is the type of government that the China has.

China has a communist & socialist type of a government. Particular factors that could recognize the consensus on adoption of the Chinese growth model could be



China has undisputedly expanded at a staggering pace over the last three decades, but the policies and the tricks have been exhausted. Every top leadership in China acknowledges the need for some serious change. For reasons best comprehended, China has and is still undergoing major changes in its policy and structuring, the change focuses to increase the value of growth and sustainability in the current and the future times The proposals about the change have differed but not drastically. Giving the prevailing consensus,

most of the economists endorse a shift from investment led economy to consumption led economy. Supply-side recommends of a shift from extensive to intensive growth – that is, from a model based on capital accumulation to one propelled by gains in efficiency, measured by total factor productivity. It is further powered by investment in infrastructures; a massive increase in low-cost manufacturing exports and technology transfers has led to some structural changes. Both, the labour and capital have moved from



low productivity sectors to high productivity sectors, resource allocation became efficient, real wages rose to its consequence the economic structure was upgraded.

It has been rightly envisaged by Mr Gustav Ranis that the key to successful and sustainable development is avoiding the encrustation of ideas, for Chinese policy makers it meant to recognize and abandon some of the fundamental ideas that underpinned the economy's past growth, before they become so firmly encrusted that they jeopardize the country's further development plans.

India on the other hand is a democratic country, the biggest democracy in the world.

India has a long economic history; it has dwelled and strived its way since the independence in a haphazard manner. Yet, the current state of the economy is reasonably commendable in view of the unusual circumstances culminated by the external forces and the natural flows of the economies. No doubt the country's internal forces and policies have also failed at times and at times work against the country's favour.

Moreover, India does not have a stable political environment, and the government's intervention, easy entry and seemingly long exit gives investors reasons to think twice before investing. The fiscal year's GDP was around 5% and near decade lows, government and corporate debt is high, the current account deficit has been out of control until recently, inflation reached double digits, the currency value has yanked, corruption has remains rampant.

We'll go a lot deeper as we move, but on the face we don't see any possibility to adoption of the Chinese growth model in the Indian scenario.

Problems faced by Chinese Economy

1. NPL-Chinese Banks have the problem of bad loans, currently around 1% of the loans go bad, but it is envisaged that the figure may raise up to 15% in the future.

2. Expansion in the economy has always brought in inflation, and as we plan further expansion a prime issue is to contain inflation rate.

3. Property rates are booming in a way that results in economic slowdown, the upward movement of price is not in a genuine fashion, but just as a bubble which when broken gives us more reasons to worry.

4. Shortage of power

5. The third challenge is the high M2 money supply and money shortage coinciding. Although China's M2 supply has exceeded 10 trillion yuan (US\$1.65 trillion), money shortages still come up from time to time, and this could lead to another round of credit crunch with inter-bank lending rates continuously rising.

6. The fourth challenge is how to manage debt risk during the progress of medium and small-scale city construction projects.

7. The fifth challenge is the conflict between manufacturing overcapacity and the demand for more jobs

Problems faced by Indian Economy

1. Inflation

a. Fuelled by rising wages, property prices and food prices inflation in India is an increasing problem. Inflation is currently between 8-10%. This inflation has been a problem despite periods of economic slowdown. For example in late 2013, Indian inflation reached 11%, despite growth falling to 4.8%. This suggests that inflation is not just due to excess demand, but is also related to cost push inflationary factors. For example, supply constraints in agriculture have caused rising food prices. This causes inflation and is also a major factor reducing living standards of the poor who are sensitive to food

prices. The Central Bank of India have made reducing inflation a top priority and have been willing to raise interest rates, but cost push inflation is more difficult to solve and it may cause a fall in growth as they try to reduce inflation

2. Poor educational Standards

a. Although India has benefited from a high % of English speakers. there is still high levels of illiteracy amongst the population. It is worse in rural areas and amongst women. Over 50% of Indian women are illiterate. This limits economic development and a more skilled workforce. Also to note, that a person who could read and write his name would be classified as literates

3. Poor Infrastructure

a. Many Indians lack basic amenities lack access to running water. Indian public services are creaking under the strain of bureaucracy and inefficiency. Over 40% of Indian fruit rots before it reaches the market; this is one example of the supply constraints and inefficiency's facing the Indian economy.

4. Balance of Payments deterioration.

a. Although India has built up large amounts of foreign currency reserves the high rates of economic growth have been at the cost of a persistent current account deficit. In late 2012, the current account reached a peak of 6% of GDP. Since then there has been an improvement in the current account. But, the Indian economy has seen imports growth faster than exports. This means India needs to attract capital flows to finance the deficit. Also, the large deficit caused the depreciation in the Rupee between 2012 and 2014. Whilst the deficit remains, there is always the fear of a further devaluation in the Rupee. There is a need to rebalance the economy and improve competitiveness of exports

5. High levels of private debt

b. Buoyed by a property boom the amount of lending in India has grown by 30% in the past year. However there are concerns about the risk of such loans. If they are dependent on rising property prices it could be problematic. Furthermore if inflation increases further it may force the RBI to increase interest rates. If interest rates rise substantially it will leave those indebted facing rising interest payments and potentially reducing consumer spending in the future

6. Inequality has risen rather than decreased.

a. It is hoped that economic growth would help drag the Indian poor above the poverty line. However so far economic growth has been highly uneven benefiting the skilled and wealthy disproportionately. Many of India's rural poor are yet to receive any tangible benefit from the India's economic growth. More than 78 million homes do not have electricity. 33% (268million) of the population live on less than \$1 per day. Furthermore with the spread of television in Indian villages the poor are increasingly aware of the disparity between rich and poor.

7. Large Budget Deficit

a. India has one of the largest budget deficits in the developing world. Excluding subsidies it amounts to nearly 8% of GDP. Although it is fallen a little in the past year. It still allows little scope for increasing investment in public services like health and education.

8. Rigid labour Laws

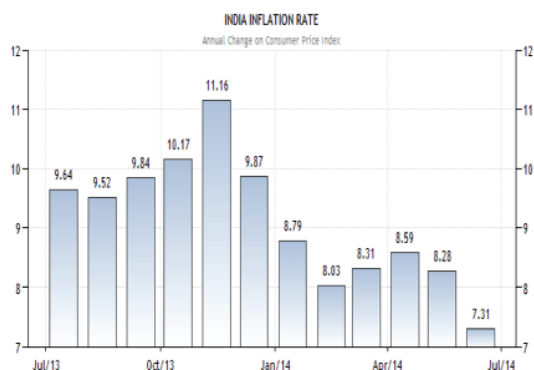
a. As an example Firms employing more than 100 people cannot fire workers without government permission. The effect of this is to discourage firms from expanding to over 100 people. It also discourages foreign investment. Trades Unions have an important political power base and governments often shy away from tackling potentially politically sensitive labour laws.

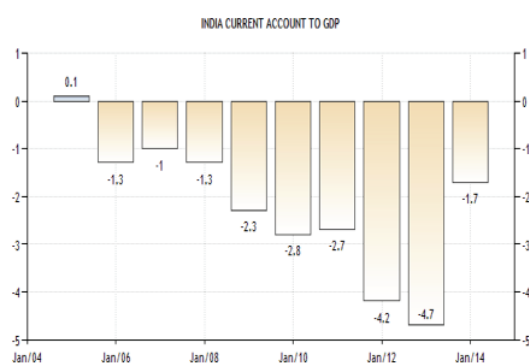
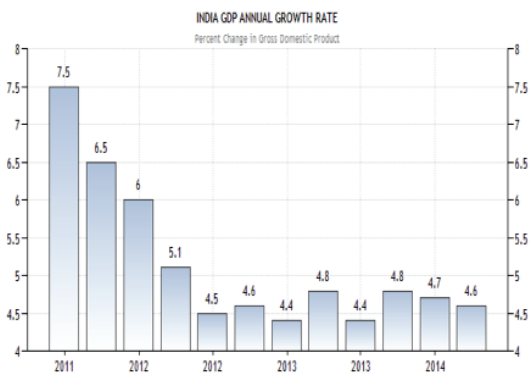
9. Inefficient agriculture

a. Agriculture produces 17.4% of economic output but, over 51% of the work forces are employed in agriculture. This is the most inefficient sector of the economy and reform has proved slow.

10. Slowdown in growth

a. 2013/14 has seen a slowdown in the rate of economic growth to 4-5%. Real GDP per capita growth is even lower. This is a cause for concern as India needs a high growth rate to see rising living standards, lower unemployment and encouraging investment. India has fallen behind China, which is a comparable developing economy





Adoption of the Chinese Growth Model in Indian Scenario

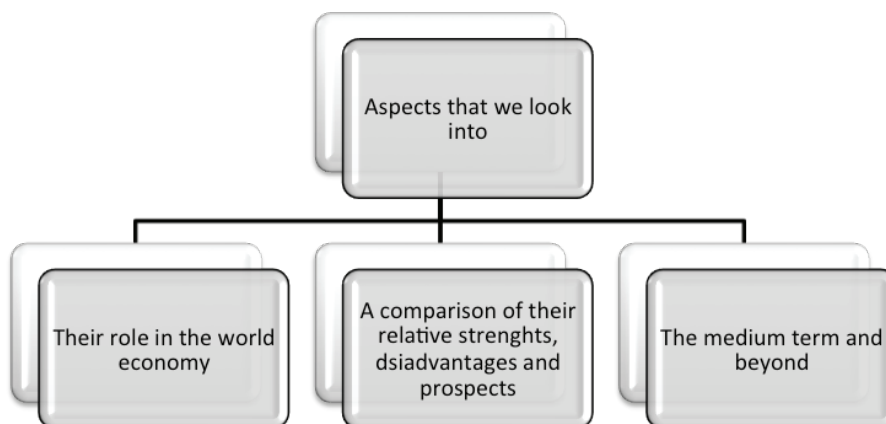
For adoption of what so popularly is called as the Chinese new growth model, we have to identify the similarities or differences between the two economies.

If at all the economic factors match, then we can think of adopting the Chinese growth model, otherwise the question of adopting the growth model drains out by itself, it's simply like comparing oranges with mangoes and having the same rationale for growing both the trees. The fruit analogy tries to portray that an economy grows considering its own factors and not by manipulating a model that suits it.

Superficially the two economies look alike which in fact not the case, there are basic and crucial differences between the economies.

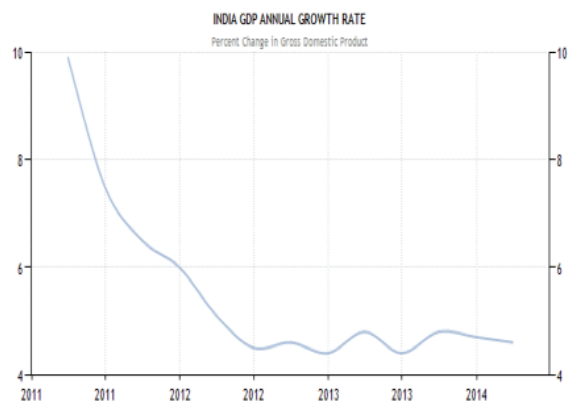
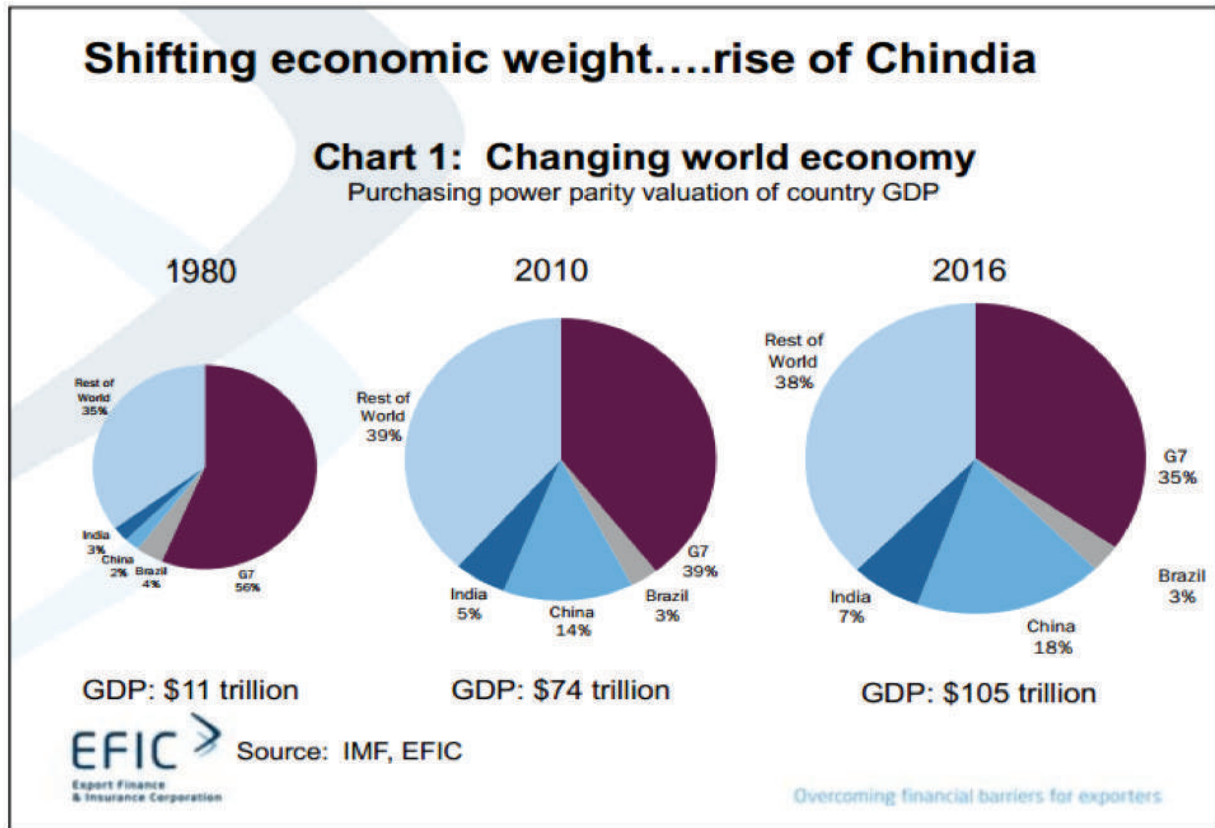
India was a “mixed economy” with large private sector, so essentially capitalist market economy with the associated tendency to involuntary unemployment

On the other hand, China was mostly a command economy, which until recently had a very small private sector; there is still substantial state control over macroeconomic processes in forms that have differed from more conventional capitalist macroeconomic policy



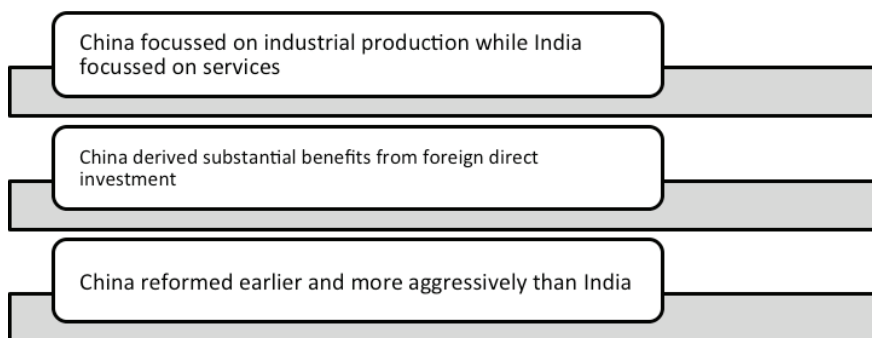
The balance of world economic activity and influence is evolving fast – as can be seen in the below mentioned chart the output share of the G7 countries – the US, Canada, the UK, Germany, France, Italy and Japan has declined from over half to just over a third. At the same time, the share of world

output of China, India and Brazil has more than doubled in the last 30 years to 22 per cent. These trends are likely to continue. IMF projections suggest that China, India and Brazil will account for 28% of world output in 2016.



We see from the aforesaid chart, the GDP Growth in the year 2011 was virtually same, then what is the reason of

such a huge divergence in the subsequent years. Three reasons can identify this particular scenario.



We'll take it one by one and stow away all the hindrances.

1. China focused on industrial production while India focussed on services

That is, China launched its economic transformation by using abundant, low-wage labour to establish manufacturing for export industries. In contrast, India developed a service export sector focussed on IT and BPO. As a consequence India had a much lower rate of investment than China and therefore 'capital deepening' was less prevalent

2. China derived substantial benefits from foreign direct investment

China encouraged FDI by encouraging multinationals looking to set up export oriented manufacturing operations and was able to benefit from foreign intellectual property and know how. In contrast, India followed an import substitution policy and relied on domestic resource mobilization and domestic firms.

3. China reformed earlier and more aggressively than India

China began reforming its closed, centrally planned, non-market economy in 1978. In contrast, India always had a large private sector, but its product, input and labour markets were subject to rigid state controls until the hesitant and piecemeal reforms of the 1980s. Only after experiencing a serious macroeconomic crisis in 1991, did the reform effort become more determined and the

reforms broader. Political differences are thought to have played a big role in the two countries' different pace of reform

The next important aspect to cover is the business environment of the two countries.

The conventional wisdom is that:

India has an entrepreneurial and dynamic business environment whereas China is dominated by large state-owned enterprises.

It seems more accurate to say, however, that India's economy is dominated by large incumbent conglomerates. This is a legacy of the country's inward looking development approach. The economy's reputation for entrepreneurial flair seems to derive from its success in the IT and BPO sector. This has been an undoubtedly successful sector, but it probably prospered precisely because of the absence of government involvement and regulation.

China's reputation as an economy dominated by state-owned entities also has some truth most estimates suggest that they account for a large chunk (around 40% of economy-wide assets). But such enterprises only represent about 5% of the total number of enterprises and China has a surprisingly vibrant (albeit poorly measured) private sector.

Investment and business climate.... State looms large regardless of system of government

India	China
<ul style="list-style-type: none"> ▪ Perception: Entrepreneurial and dynamic business environment ▪ Nuance: Dominated by large incumbent conglomerates 	<ul style="list-style-type: none"> ▪ Perception: Economy dominated by large state-owned enterprises ▪ Nuance: Private sector surprisingly vibrant (but poorly measured)
<p>Doing business:</p> <ul style="list-style-type: none"> ▪ Significant government interaction required in both countries ▪ Procedures, costs and licensing hurdles similar ▪ Similar challenges with policy inconsistency and governance 	

Overcoming financial barriers for exporters

On politics, the conventional wisdom is that China's political system is more conducive to rapid economic development and that India's multiparty democracy is messy, unstable and slows development. But digging deeper into the data on the business climate and governance, the political system turns out to be a bit of a distraction.

Significant involvement with the state and lower level authorities is required in both countries.

The costs of doing business – securing licenses, stepping through procedures etc – are very similar in both countries.

Both countries have issues with policy inconsistency and governance, notably corruption.

The consensus view is that China and India will continue to grow rapidly over the next 40 years most think that India's growth will probably outpace China's in a few years time, primarily because of India's more favourable demographic profile it is younger and the population is faster growing.

As a result, China and India will account for a larger share of the world economy in 2050 than they do now. Interestingly, Asia as a whole – including China and India - will account for just over half of the global economy in 2050 at market exchange rates, up from 27% now.

Most long range projections also suggest that Chinese and Indians will be much richer on a per capita basis in 40 years. But, again, let's not get carried away. These projections are unlikely to come true – they never do and it is best to see them as a framework for thinking about how the region could develop over time. Intuitively, we probably know that

Asia is going to become more important over time, but let's not pretend we can accurately project per capita GDP in 2050.

Asia's rise is not pre ordained and that a number of things could go wrong. One is that China and India get stuck in the middle income trap. That is getting stuck at a relatively comfortable level of income but unable to take the next leap to developed nation status.

China, for example, is attempting to shift from being export led to consumption led. In such a scenario, the economy becomes more balanced and open: exports decline in importance, the exchange rate becomes more flexible, capital account restrictions ease, and reserve accumulation slows. Such a transition is going to be difficult; arguably Japan has struggled to reduce its dependence on exports, which casts doubt on China's ability to do so, given that it has in many ways followed a similar development mode

Conclusion

Summarizing the above points, we could suffice it to say that both the economies superficially look similar and appear on the prima facie in some cases to be exact counterparts, which in fact is not the case.

India and China both are two different economies and have taken different ways in the history for economic development may be both the nations are not at the perfect scale to adapt to policies interchangeably.

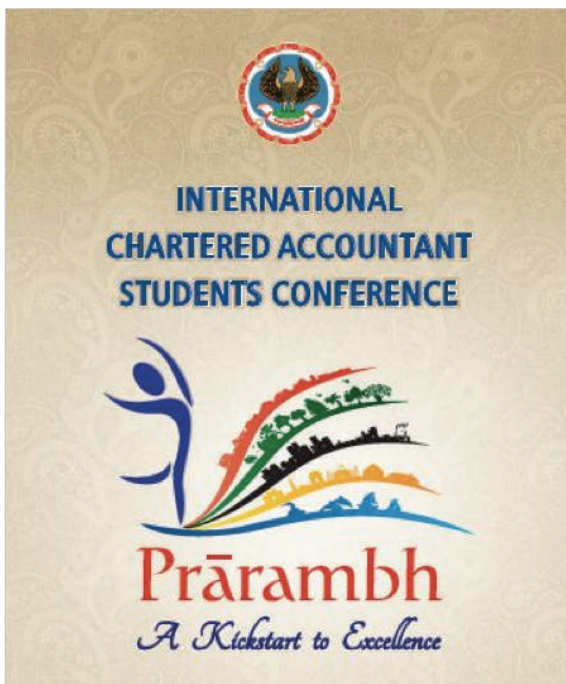
Sooner or later both the economies are going to culminate as two most developed economies.



CA Students' Conference 2014 India

“A Kickstart to Excellence”

Students were awarded the opportunity to participate for the International Conference 2014, organized by the Board of the Institute of Chartered Accountants of India which took place at the Christ University Auditorium, Bangalore. The conference was based on the theme “A Kickstart to Excellence”.





The 29th International CA Students' Conference, the one day educational program organized by the Chartered Accountants Students' Society, the student body of the Institute of Chartered Accounts of Sri Lanka was successfully held on the 8th of April 2015 at Kingsbury Hotel – The Balmoral. The conference witnessed the participation of more than 700 CA Strategic Level students and even students from SAFA countries such as India, Pakistan and Bangladesh. This one day professional development program focuses on various issues and vital aspects relating to current business and economic environments which goes beyond the traditional classroom work and forms a part of our overall education and personal development.

The conference was themed “ Train | Ignite |Inspire ”, carving a path for the CA Students to visualize, seek and work towards sustainable development while improving as an individual to meet the needs of the competitive corporate world ahead with much vigor and success.

At this event, investment and industry experts, corporate executives, and other luminaries presented their perspectives on the changing global economic, political, competitive, and investment environments. Prominent personalities such as

Mr Rajendra Theagarajah –[Director / Chief Executive Officer of National Development Bank PLC]

Mr. Ranjan L G De Silva – [Partner / Senior Management Consultant, Sensei International]

Mr. Sunil Dissanayake – [Consultant (Hospitality) Macksons Holdings (Pvt) Ltd]

Dr.Wolfgang Dittus – [Chairman, Association for The Conservation of Primate Diversity]

Mr. Sujeewa Rajapaksha – [Managing Partner; BDO Partners]

Mr. Bhavin Shah – [Managing director of Accenture Operations]

Ms. Manohari Abeysekara - Head – [Director - Hayleys Group Services]

Mr. Dirk Pereira-[Director / Chief Executive Officer of Union Assurance PLC]

Mr. Mahendra Jayasekara – [FCA,BSC Special Hons University of Sri Jayawardenapura]

have been good enough to grace this event.

Mr. Arjuna Herath the President of the CA Students' Society addressed the event at its inauguration giving a great start for the day.

Mr. Reyaz Mihular, Patron of the CA students' Society and the Managing Partner of KPMG Sri Lanka, also graced the conference by sharing his invaluable words.

The keynote speaker was Mr. Rajendra Theagarajah, he spoke about his personal life and experiences in the industry. Guest speakers of the event were Mr. Sunil Dissanayake- “Soft Skills for People Leadership”, Mr. Ranjan L G De Silva- “Igniting the Mind for Excellence” and Dr.Wolfgang Dittus- “Lessons in Accounting and Life from monkeys”. An eminent panel of speakers were present for this year's conference was Mr. Sujeewa Rajapaksha, Mr. Bhavin Shah, Mr. Dirk Pereira and Mr. Mahendra Jayasekara. The Panel was ably moderated by Ms. Manohari Abeysekara.

Additionally, the conference featured a students' panel discussion which provided a platform for the students both local and foreign, to express their views on the opportunities and challenges faced by today's versatile accountant. The winners of the Annual CA Students' Article Competition, which was held under two categories (i.e.: Local and SAFA) were also felicitated during the Conference.

Joining hands with the CA Students' Society as Platinum sponsors were the NDB Bank, Singer and Goodhope, while Long Beach Resort & Spa being the Hospitality Partner along with Cinnamon Air being the Domestic Traveling partner. Accenture was the Silver sponsor of the Event. Bronze

sponsors of the event were People’s Leasing & Finance PLC, KBBS Campus, Chartered Institute for Securities & Investment, Institute for Accounting Studies, Bank of Ceylon and Asian Alliance Insurance. TV Derena, FM Derana, Ada Derana 24 x 7 and GroupM were the digital and media agency partners for the event, respectively.

The event was organized to give an opportunity for the students following Chartered Accountancy to enrich their

knowledge on contemporary topics. This also created an opportunity to share the experience, knowledge and fellowship amongst their fellow counterparts from other countries.

The 29th CA Students’ Conference held on 8th of April 2015 @ The Kingsbury – The Balmoral



CA Students' Society Events

CA Students' Sports Tournament

These are events organized for all employed students to have relief from the stress of work, deadlines, exams and move into a different arena of physical endurance. The primary goal of these sports events is to bring trainees of all member firms together to nurture an environment where we interact and make friends.

The sports events organized by us are cricket, football, badminton, netball, basketball, volleyball, swimming, marathon, carom and table tennis. These events are held at various locations throughout the year from July 2014 to June 2015.



CSR Project

A CSR initiative was carried out at the Kg/Dehi/ Halgolla Tamil Vidyalaya, Yatiyanthota on Friday the 05th of December 2014 amidst a gathering of the students, parents, teachers and other well wishers. This was a project aimed at spending a fun-filled day with our dear brothers and sisters of the less privileged school and donating various

necessities to the students and to the institution. Thus, we take the pride in mentioning that we, as a professional students' body did not forget to fulfil our responsibility for those who are in need and contributed for a worthy cause. A few of the snap shots of the event follows,



Blood Donation Campaign

A blood donation campaign themed “Give Blood... Give Life...” is organized annually at the Institute of Chartered Accountants

of Sri Lanka. The event attracts well over 100 donors who generously donate their blood to give life to others.



Religious & Cultural events

With the view of promoting harmony amongst the various religious communities within the student fraternity, the Society organises various religious & cultural activities

throughout the year. This includes the Wesak Bhakthi Gee Ceremony, the Ifthar Ceremony, the Nava-Rathri Ceremony and the Christmas Carol Service.

(Wesak Bhakthi Geetha)



(Ifthar Program)



(Nava-Rathri Ceremony)



(Christmas Carol Service)



The Fusion Business Magazine & CA Students' Newsletter

This year the Society will be launching its 11th edition of the Students' Business Magazine, 'Fusion' which will be circulated amongst 3,500 to 4,000 registered students of CA Sri Lanka undergoing training in Public Practice Organizations, Non Public Practice Organizations as well as the students of the South Asian region.

The CA Students' Newsletter which is the official Newsletter of the Society was circulated for the first time in October 2009 amongst 32,000 students of CA Sri Lanka. This year it has moved to a new stage of launching an e-news letter.



CA Students' Article Competition

This year's CA Students' Article Competition witnessed a record number of entries from both the Local and SAFA categories. This was open for all the CA students as well as for students from the SAFA countries. The objective of this

was to provide an opportunity for all CA students to express and improve their writing skills. Winners will be awarded at the 29th International CA students' Conference

Awards Night

After a year of perseverance and competition, we award and inspire all those who emerge victorious. Awards will be given not only to students who excel in examinations but also to those who excel in the CA Students' Sports

Tournament. This will be followed by a night of music and dancing, fun and laughter, where we celebrate the completion of another eventful and successful year of work, exams and sports.



Executive Committee - Chartered Accountants Students' Society 2015



Executive Committee 2014/15

Seated from Left to Right – Jayashan Gero (Editor), Sajith Kanchana (Public Relations Secretary), Prashad Dissanayake (Social Secretary), Prashan Muthugala (General Secretary), Ruchira Perera (President), Malan Semira Anthony (Vice President), Uthul Siriwardane (Treasurer), Ashaff M.S.M (Educational Secretary), Shiron Perera (Sports Secretary)

Standing from Left to Right – Asif Moujood (Sub Editor), Dilini Samarasinghe (Asst. Educational Secretary), Gayan Prasanna (Asst. General Secretary), Poorna Perera (Asst. Treasurer), Chathura Gimhana (Asst. Public Relations Secretary), Nirmala Pushpakumara (Asst. Sports Secretary), Subash Kumara (Asst. Sports Secretary), Nuwan Witharana (Asst. Public Relations Secretary), Vishwa Bopage (Asst. Social Secretary), Premila Fernando (Asst. Social Secretary)

General Committee - Chartered Accountants Students' Society 2015



General Committee 2014/15

Seated from Left to Right – Jayashan Grero (Editor), Sajith Kanchana (Public Relations Secretary), Prashad Dissanayake (Social Secretary), Prashan Muthugala (General Secretary), Ruchira Perera (President), Malan Semira Anthony (Vice President), Uthul Siriwardane (Treasurer), Ashaff M.S.M (Educational Secretary), Shiron Perera (Sports Secretary)

1st Row (Standing from Left to Right) – Hashani Perera, Kaushalya Sammani, Imesha Shamani, Asanka Niroshan, Hansanie Dias, Kethaka Kusuminda, Niroja Vasanthakumar, Lakshan Vishwajith, Kithmini Randunuveera, Sugandhi Chathurika, Dileepa Dissanayake, Biyanika Dilruk, Rashmi Tharindi

2nd Row (Standing from Left to Right) – Ashan Kaminda, Mohamed Safwan, Ashraf M. Asir, Gayan Sampath, Dilshan Akalanaka, Sanjeeewa Kumara, Mahesh Lakshan, Nuwan Darshana, Chirath Deshitha, Srimal Herath, K.L.U Chinthaka

3rd Row (Standing from Left to Right) – Asela Ekanayake, Krishna Kumar, Mohamed Zumry, Anushka Dananjaya, Sahana Amarasinghe, K. Jospet, Mohamed Razi
Absent – Channa Priyadarshana, Kathika Pushpakumara

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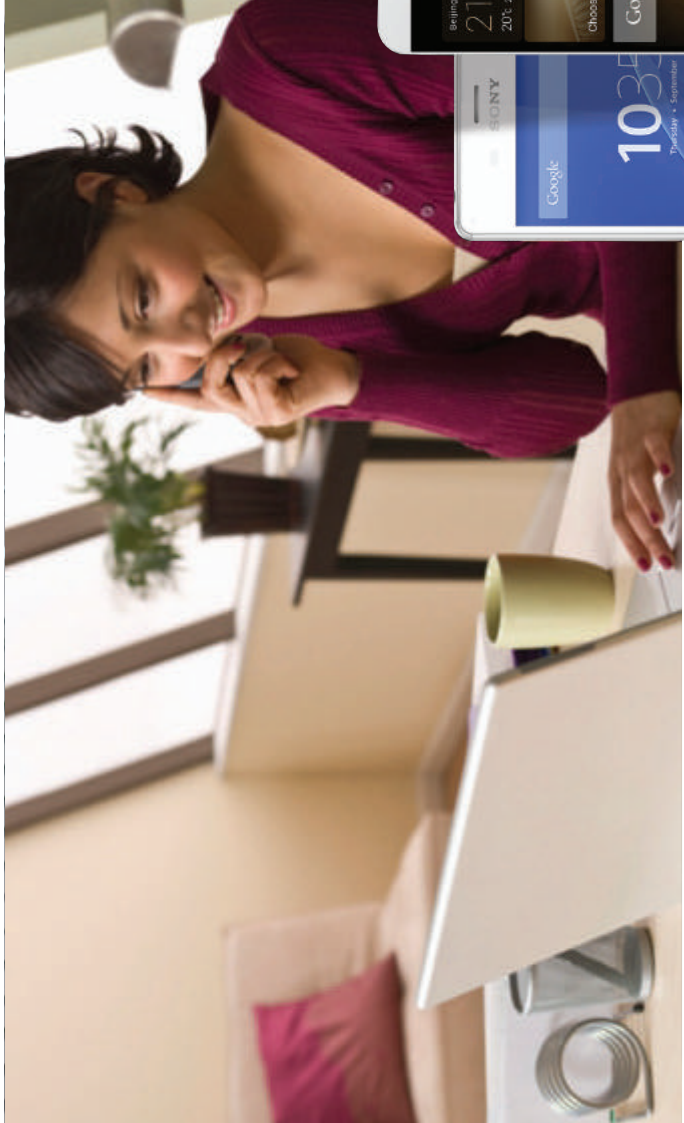
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