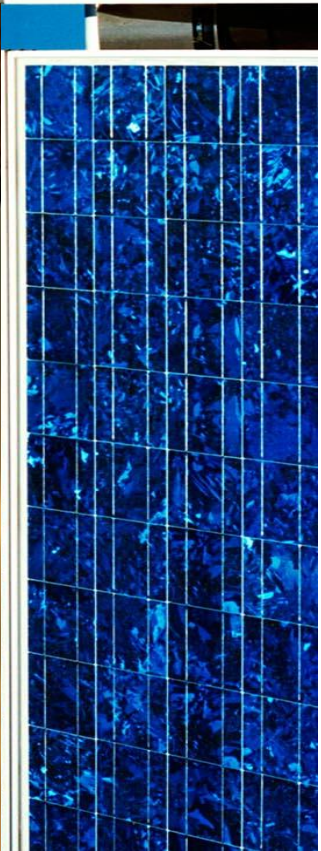
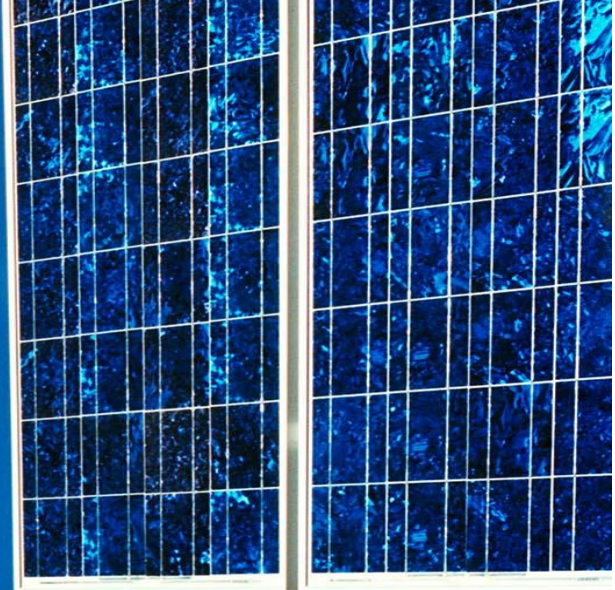


Staying Ahead of the Curve



Unless we continue to
learn beyond what we
have already mastered,
we will not grow

If you can't explain it simply,
you don't understand it well
enough – Albert Einstein



“Accounting should be made as simple as possible, but it’s not getting simpler”

“Everything simple is false; everything which is complex is unusable”

The aim is to provide not simply an accurate record of the financial transactions pertaining to the Corporate, but more importantly a revealing explanation of the determinants of those transactions.



Future of Our Profession

- ✓ Focus on the whole profession and not on individual Institutes.
- ✓ None of us are smarter than all of us.
- ✓ Technology will shape the future.
- ✓ Equip for jobs that have not yet been invented.



The seven quotients explained



Technical skills and ethics (TEQ):

The ability to perform consistently well while maintaining the highest standards of integrity, independence and scepticism.



Intelligence (IQ):

The ability to acquire and use knowledge: thinking, reasoning and solving problems.



Creative (CQ):

The ability to use existing knowledge in new situations, to make connections, explore potential outcomes, and generate new ideas.



Digital (DQ):

The awareness and application of existing and emerging digital technologies, capabilities, practices and strategies.



Emotional intelligence

(EQ): The ability to identify personal emotions and those of others, apply them to tasks, and regulate and manage them.



Vision (VQ):

The ability to predict future trends by extrapolating existing trends and facts, and to fill gaps by thinking innovatively.



Experience (XQ):

The ability and skills to understand customer expectations, meet desired outcomes and create value.

Drivers of Change



Identifying drivers of change

The accountancy profession will evolve significantly in the years to 2025.

Many factors will influence that evolution, but our research identified four key drivers of change:



**Advances
in digital technology**



**Increased regulation
+ stronger guidance**



**Higher expectations
of business value**



**Continued
globalisation**

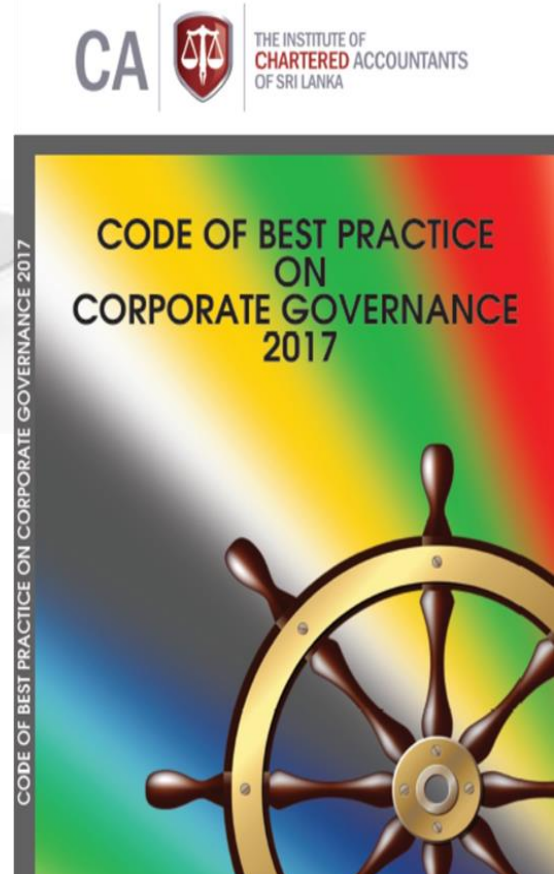
A Quick Update of Changes

- Code of Best Practice on CG
 - IFAC Report on Professional Ethics
 - Implementation Challenges from SLFRS 9/15/16 & IFRS 17
 - SLFRS for SMEs
 - SLAuS for SMEs
 - CSE Listing rules - Enforcement
 - Anti Money Laundering Regulations
- The list is not complete in every respect but includes many of the key developments

Tone at the Top



Contribution by CA Sri Lanka



Code of Best Practice on CG changes

Board composition

Integrated
Reporting-
Agenda for
meetings

Board Balance

Accountability & Audit

Business
Reporting

Audit & RPTR
Committees

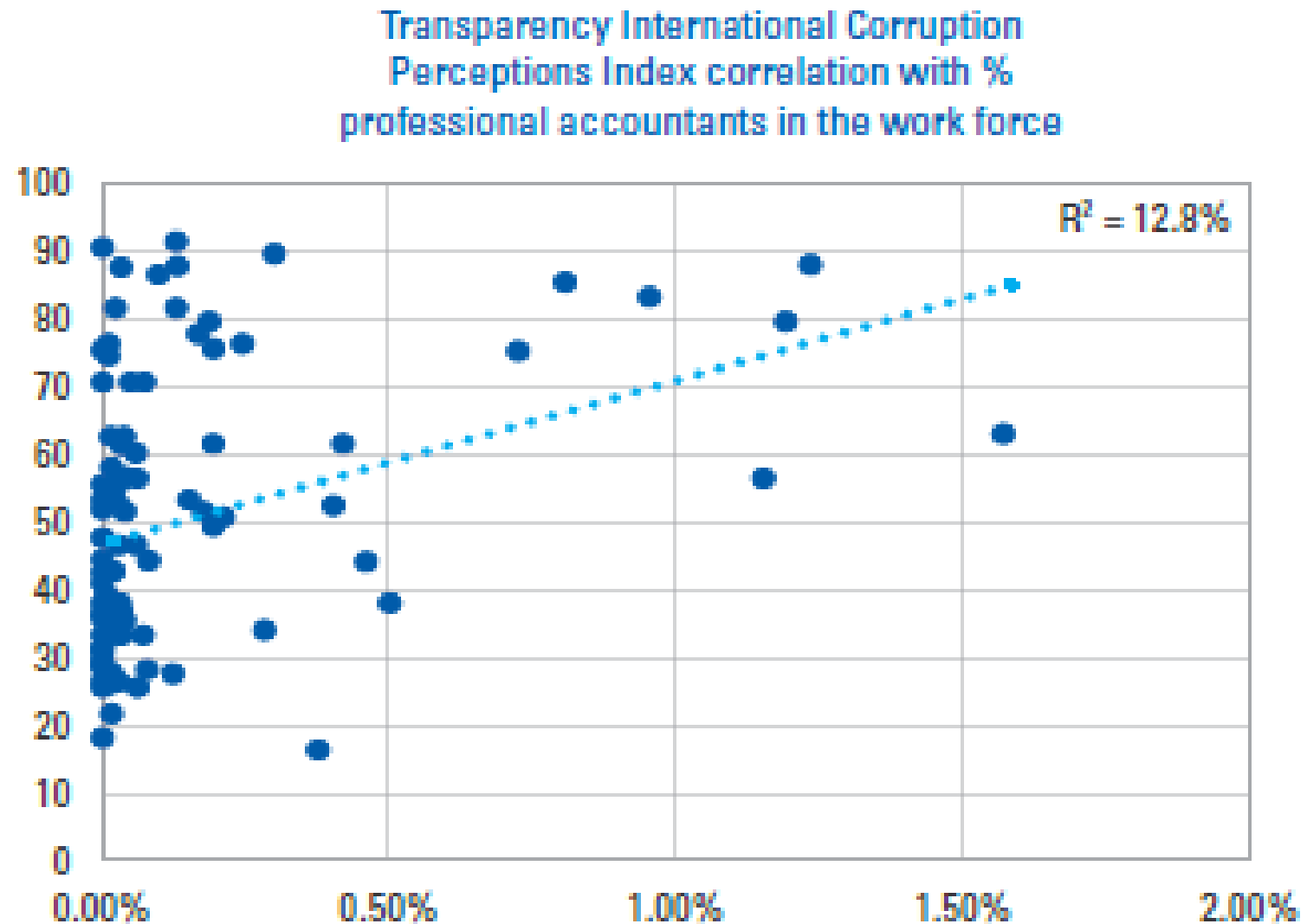
Bribery &
Corruption

Other

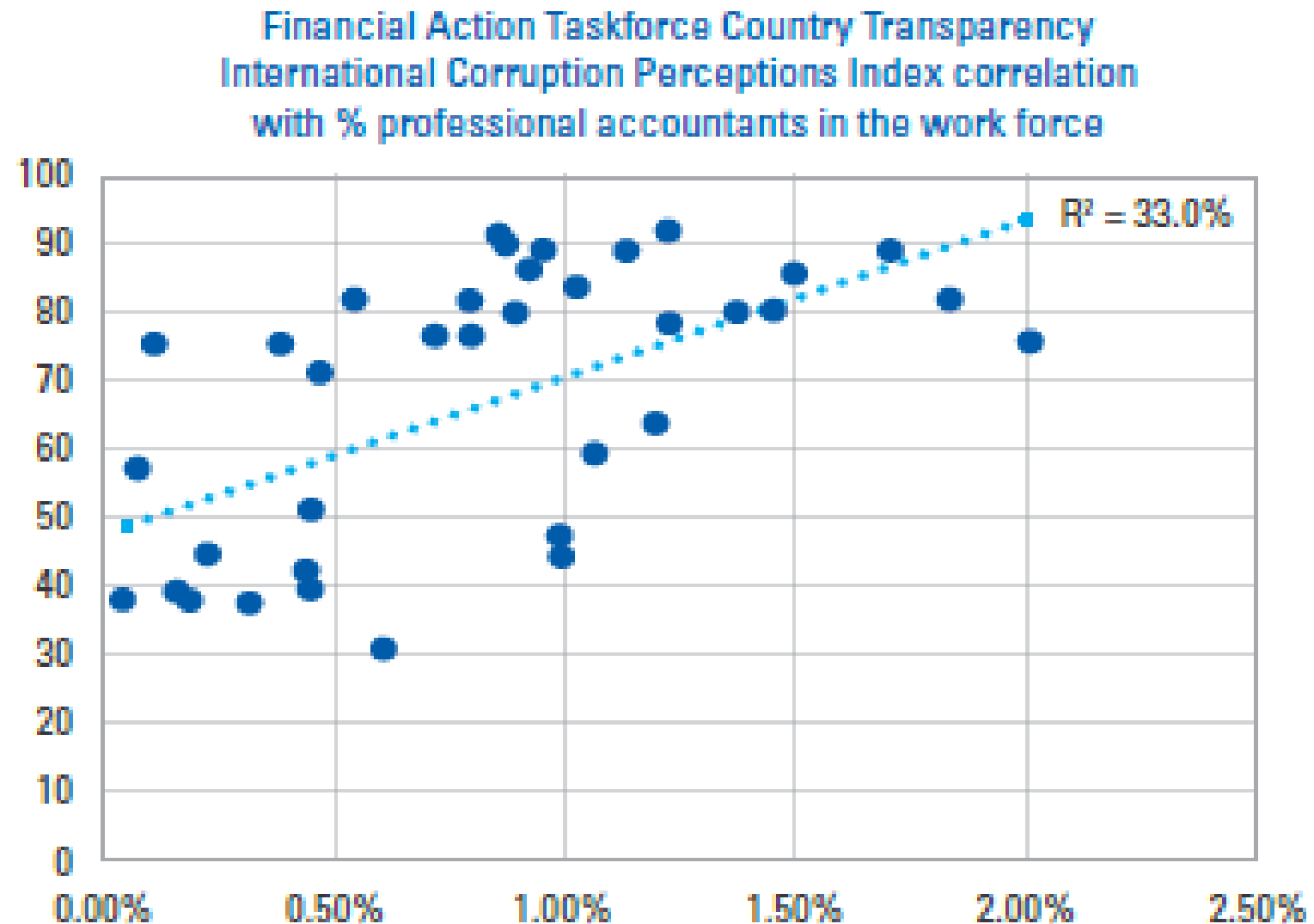
IoT and
Cyber-
security

ESG Reporting

IFAC Report on Professional Ethics....(1)



IFAC Report on Professional Ethics....(2)




SLFRS for SMEs

- **Self-contained Standard designed to meet the needs and capabilities of SMEs.**
- **Entities with public accountability should not use it.**
- **Topics not relevant for SMEs are omitted; for example EPS, interim financial reporting and segment reporting.**
- **Principles for recognising and measuring assets, liabilities, income and expenses are simplified.**
- **Significantly fewer disclosures are required (roughly a 90 per cent reduction).**
- **Future revisions are expected to be limited to once every three years by IASB**

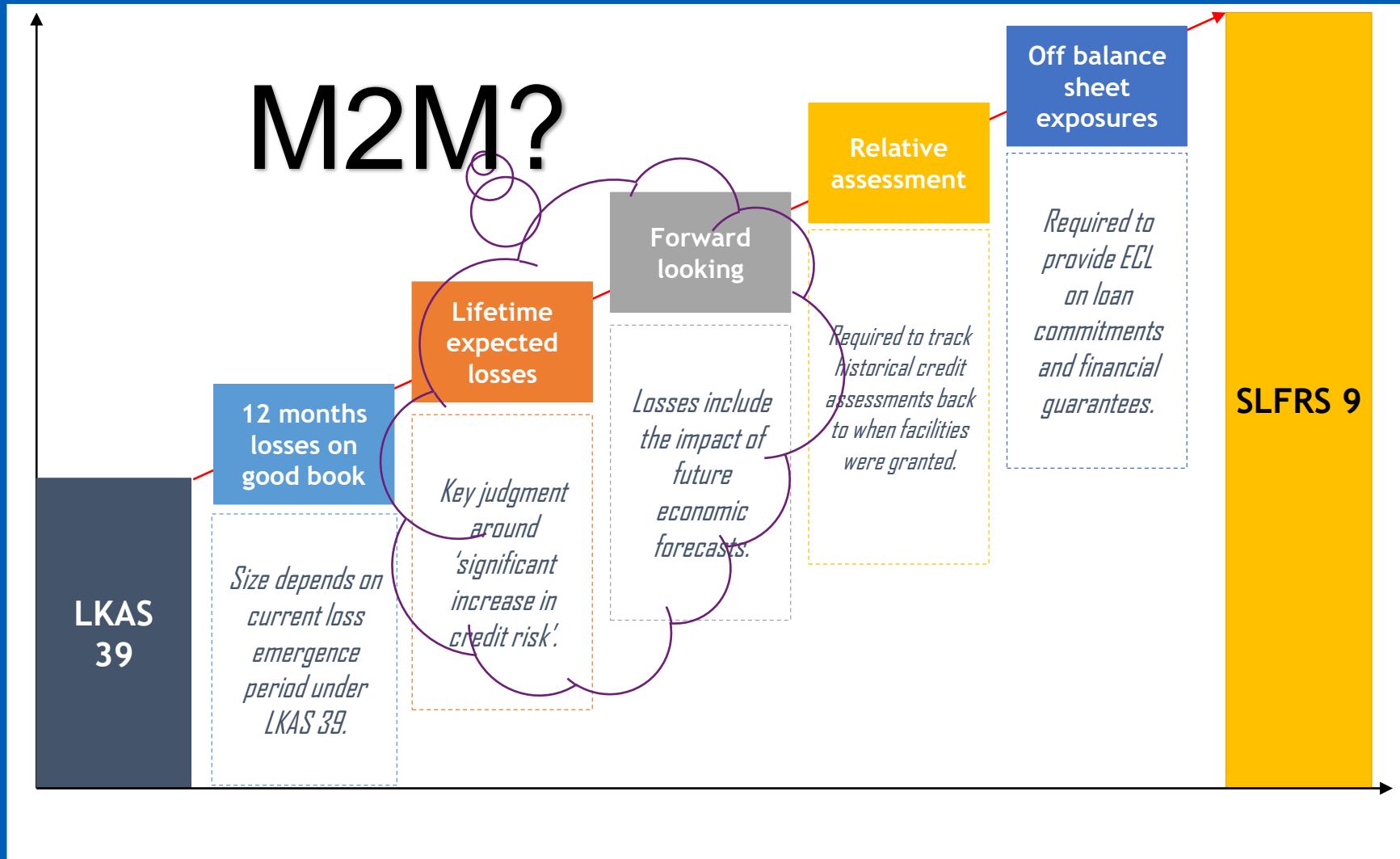
SLAuS for SMEs

- **Audit of Small Entities that do not have public accountability**
- **SMEs must follow cost model for measurement**
- **Substantive audit procedures**
- **Determination of materiality on simple benchmarks**
- **Simplified planning and reporting activities**
- **Less stringent quality control requirements and responsibility for fraud and NOCLAR.**
- **Effective for period ending on/after 31 March 2018**

Implementation challenges from SLFRS 9, 15, 16 & IFRS 17



SLFRS 9 - Expected Loss?



SLFRS 15 – Revenue over time

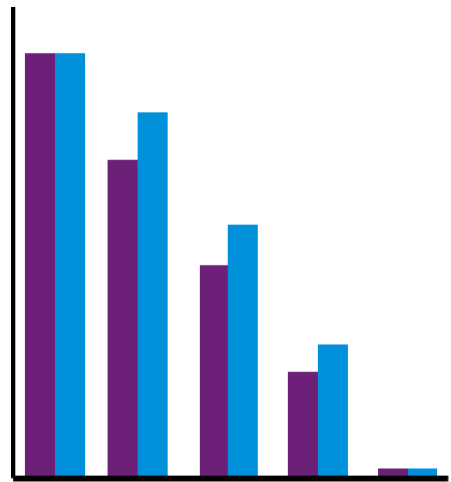
STEP 1	Identify contract with a customer
STEP 2	Identify the PO
STEP 3	Determine the transaction price
STEP 4	Allocate the transaction price
STEP 5	Recognise revenue satisfied PO?

- Over time vs point in time revenue recognition:
 - Is the contract enforceable?
 - Does the developer have a right to payment for performance to date?

- Customer simultaneously receives and consumes the benefits
- Customer controls the asset as its created or enhanced
- Asset created does not have an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

SLFRS 16 – Impact on lessee

Impact on balance sheet*

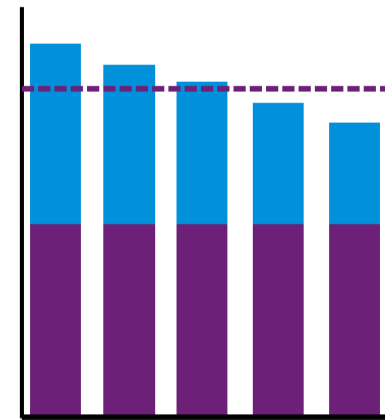


Companies with operating leases will appear to be more asset-rich, but also more heavily indebted

■ Asset ■ Liability

*Illustrative only

Impact on profit/loss*



Total lease expense will be front-loaded even when cash rentals are constant

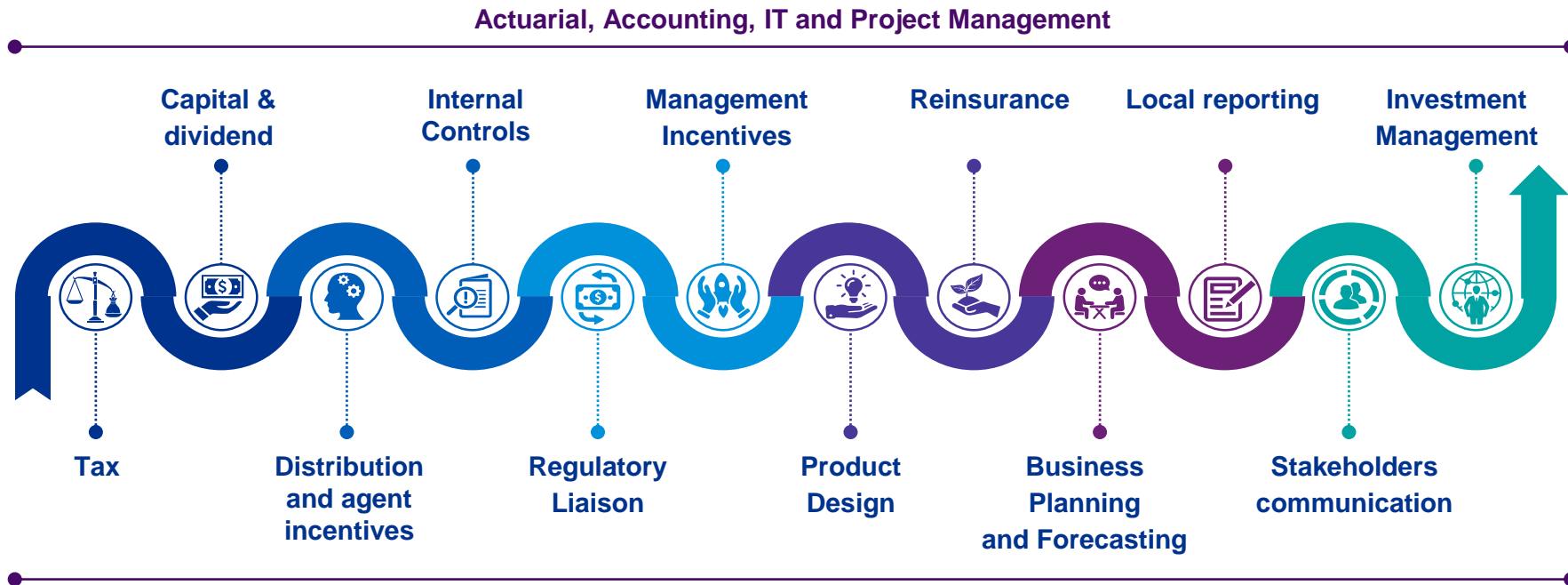
■ Depreciation ■ Interest
-- Cash rental payments

*Illustrative only

Transition Adjustments



IFRS 17 - More than an Accounting Exercise



Implementation - and planning for implementation – will touch many activities throughout its course

New IR Act and Accounting Impact

Gains from realization of investment assets taxed at 10%

Losses incurred on the realization of investments could only be set off against income from investments.

Any unutilized losses could be carried forward for 6 years.

The losses arising from business subject to reduced tax rates or exempt income, can only be set off against relevant income



CSE Listing Rules - Enforcement

Strengthen the enforcement action applicable for non-compliance with Continuous Listing Requirements of the CSE.

Violation of Rules on Corporate Governance by listed public companies;

Submission of audited financial statements containing modified audit opinions and emphasis of matter on going concern;

Related Party Transactions;

Rename the 'Default Board' as 'Watch List' effective from 1st January 2018.



Impact of NOCLAR ?

AML Regulations & Actions





Thank You

Suren Rajakarier

Partner, KPMG Sri Lanka

Chairman, ACCA Sri Lanka MNP

Chairman, Auditing Standards Committee of Sri Lanka

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