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INTELLIGENCE & INSIGHT FROM CA SRI LANKA

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**Is There
a Rice
Crisis?**

P.46

**Get On
With It!
Build
Your
Brands**

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COVER STORY

ENTREPRENEURSHIP: **PETER SAGE'S PRESCRIPTION FOR SRI LANKA**

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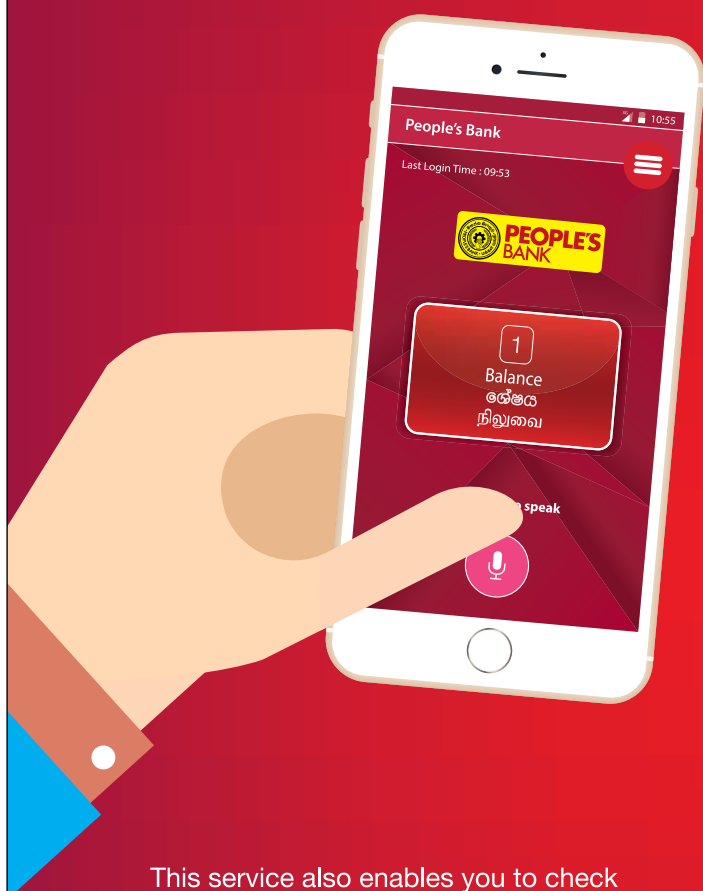
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AA-Brand Finance Rating, AA+ Fitch Rating

the **Abacus**

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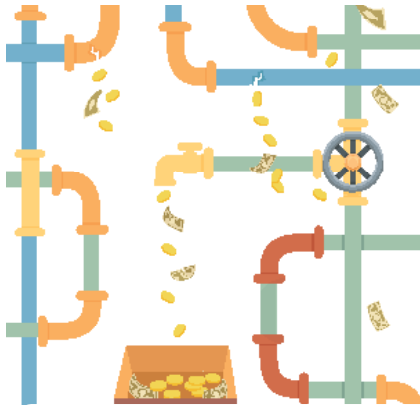
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Intelligence & Insight from CA Sri Lanka

Be an Intrapreneur

Accountants are not known for being the most creative people, nor the risk-taking type. They are stereotyped as a boring lot, but no one doubts their importance as steady hands at the wheel, playing-it-safe number crunches charting a business' course through risky waters and often tactfully tempering their entrepreneur bosses' Ahab-like tendencies – a role their education and training prepares them for.

The profession the world over, while committed to strengthening core competencies around accounting and auditing, is keen to shatter the stereotype. The best accountants have the characteristics of entrepreneurs that they apply to their work. It's called being an intrapreneur: They understand every aspect of the business, often beyond the financials; they see risks and opportunities more clearly than others; and they use this insight to generate creative and enterprising solutions, encouraging appropriate calculated risks that maximise returns.

In this issue of Abacus, two exciting entrepreneurs, Peter Sage and Dominic McVey share insights on what it takes to be an entrepreneur. Many people don't think they have what it takes, least of all accountants. But Sage and McVey disagree. According to them, accountants can be intrapreneurs, if not entrepreneurs. How? Just follow your heart.



Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is one of the largest professional organizations in Sri Lanka in which 5,400 chartered accountants have obtained membership. The Institute provides insight and leadership to the accountancy and finance profession in Sri Lanka as well as globally. Our well-qualified members are trained to provide financial knowledge and guidance based on the highest professional, technical and ethical standards, thereby assisting communities and organisations gain long-term sustainable economic growth.

ETHICS AND DISCIPLINARY COMMITTEES

ETHICS COMMITTEE

In 2016, 3 non-Chartered Accountants who are eminent legal professionals, namely, Prof. Sharaya Scharenguivel, Dr. Wickrema Weerasooria and Mr. Franklyn Amarasinghe, were appointed to serve on the Ethics Committee as Independent Members to provide greater transparency to the tasks carried out by the committee, in keeping with the global trend.

The Ethics Committee received 12 complaints during 2016. The committee inquired into these complaints, out of which, investigations on 6 complaints were concluded and the balance are still being inquired into. These complaints are related primarily to alleged violations of professional misconduct as mentioned in the Second Schedule of the institute's Act of Incorporation.

DISCIPLINARY COMMITTEES

During 2016, on the recommendations of the Ethics Committee, 2 Disciplinary Committees were appointed by the Council to inquire into 2 prima facie cases of professional misconduct; both inquiries are still in progress.

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2017 WILL UNLEASH GREAT GROWTH OPPORTUNITIES FOR SRI LANKA

BLUE OCEAN GROUP CHAIRMAN S.THUMILAN S UPBEAT ABOUT THE CONDOMINIUM SECTOR IN SRI LANKA

Optimism reigns in Sri Lanka in particular and in Asia Pacific in general with capital flows into the Indian Ocean island economy expected to increase during 2017, giving a major boost to the country's burgeoning property industry, opines S. Thumilan, chairman of Blue Ocean Group of Companies, a dynamic and emerging conglomerate that could make a name from property to construction, education and corporate consultancy.

Through Budget 2017, the government has introduced wide-ranging initiatives to support and encourage the construction and infrastructure industry in general, and the condominium sector Lanka in particular, says one of the most successful visionaries and entrepreneurs in the country.

Despite the challenges, policy reform initiatives taken by Finance Minister Ravi Karunanayake who was selected as the 'Finance Minister of the Year' for the Asia-Pacific Region by the prestigious 'The Banker' Magazine have started to show positive impacts and would deliver tangible results to the whole economy in general and the construction sector in particular within 2017, said a confident Thumilan.

Budget 2017 – Very encouraging

"The Budget 2017 presented by the United National Front for Good Governance (UNFGG) has proposed many positive and encouraging changes that would undoubtedly boost the property, construction and infrastructure sectors in the country," he opined.

The government has reemphasized the huge potential for the construction industry, anticipating it to grow into a fully fledged, Rs6,500 billion, high-value industry in the next five years.

It is pertinent to note that the burgeoning condominium industry has been identified as a sector with significant potential for foreign investment. We laud the finance minister's initiative to further incentivise such investments and remove freehold right restrictions from the ground floor. Hitherto, foreign investors could purchase fourth floor and above only, and sans the 100% transaction levy. Allowing foreigners to purchase condominiums with up to 40 percent of the cost from a domestic bank is another positive step. Servicing this debt mandated to be done with foreign currency will ensure more foreign exchange flowing into the industry.



S. Thumilan
Group Chairman & Chartered Accountant
ACA, ACCA, ACMA(UK), CGMA, CPA(Aus), MCSI(UK),
FMAAT(SL) ACS

Creating organic growth

We at Blue Ocean have been fortunate to have an integral facet in the country's exciting business landscape, and I am indeed proud that my team and I have now etched the name Blue Ocean Group strongly in the annals of the country's development history. We are undoubtedly leading the way to the future, having already begun changing the way the corporate and real estate landscape is looking ahead.

I have always said that the success of Blue Ocean Group of Companies is in creating organic growth, which cascades to effective solutions geared to meet global challenges. This, in turn, contributes positively to the global development agenda and the eco-system that we all contribute to.

Differentiator in the landscape

When I founded Blue Ocean Group, I was very keen that the Group become the differentiator in our landscape. This is the universal Blue Ocean strategy that we at Blue Ocean Group of Companies are following. We are well grounded and founded in realistic and practical data; we pursue differentiation and economies of scale; we create uncontested market spaces, not really wanting to outperform competition, but making competition irrelevant by reconstructing boundaries. We empower our team through tools and frameworks to break away from competition and assess the current industry status to maximise opportunity and minimise risks. Our processes and tools are inclusive, comprehensive and easily communicated. This binds all our stakeholders into a single platform, ultimately creating a win-win formula of value, profit and people.

The Group's consistent year-on-year improvement in financial results is a sign of the

financial sustainability of our business model. To ensure the sustainability of the social and environmental aspects associated with our business, we continue to embrace best practices for social and environmental management. From a social perspective, our infrastructure projects across the country have a significant bearing on the communities in the area and have improved the standard of living of our stakeholders. Our work to empower these communities has no doubt made Blue Ocean Group an exemplary corporate citizen in Sri Lanka.

Corporate Governance

I believe in transparency, which is the fundamental element of good governance. Corporate governance should begin in companies with sustainable development and economic progress. Blue Ocean Group of Companies has evolved the strategy of inward remittance by attracting foreign clientele to invest in apartments. Blue Ocean has now become a well-known brand. Some of our customers have purchased more than a few apartments, as they see great potential for immense growth.

Taking this Blue Ocean strategy into perspective, the Group has today grown into a formidable leader and trendsetter in over six industries including real estate, construction, engineering, trading, education and corporate consultancy. Our dynamism is seen in the global networks and projects we have spawned, and the expansion we fuel in Europe, Asia Pacific, the Middle East and Asia, and especially in the UAE, the UK, the US, Canada and Australia.

As a Group, we are very focused on quality, to which there is no compromise. It is this that has been the overarching umbrella to our sustainable success in each project we embark upon.

Around us, we are seeing the rapid beautification of the Colombo city. It is truly becoming a city that would rival, or as I like to think, be better than other developed cities in this Asian region. These plans are aligned to the ultimate vision of a rationalised Colombo by 2020, which is envisioned by the Megapolis, previously known as the Urban Development Authority. We are experiencing rapid change and ambitious development, which naturally prompts quick lifestyle changes. We also believe people will become more discerning and demanding about their needs, wanting quality, conformance to international standards and luxury details to complement their lifestyles.

Discover the Locations that Embraces the Extraordinary

Luxurious Living
Holiday Home
Investment Property

3in1



S. Thumilan
Group Chairman
ACA, ACCA, ACMA (UK)
CGMA, CPA (AUS),
MCSI (UK)
FMAAT (SL), ACS

10+

Cities

30+

Projects

1100+

Condo Units



@ 15A, Layards Road, Colombo 04
(Among the Royal Residential Neighborhood)



First Class Condos @

- No. 73, Gergory's Road, Colombo 07
- No. 06, 19th Lane, Colombo 03
- No. 121, Inner Flower Road, Colombo 03
- No. 45, Alfred House Gardens, Colombo 03
- No. 15A, Layard's Road, Colombo 04
- No. 02, Glenfall Road, Nuwara Eliya
- No. 20, Vajira Road, Colombo 04



Business Class Condos @

- No. 25, Frankfurt Place, Colombo 04
- No. 502, Havelock Road, Colombo 05
- No. 08, Jayasinghe Road, Colombo 05
- No. 30, Hotel Road, Mount Lavinia
- No. 06, De Alwis Avenue, Mount Lavinia
- No. 34/2, De Serem Road, Mount Lavinia
- No. 216/A, George E De Silva Mw, Aniwatte, Kandy



Economy Class Condos @

- No. 23, Moor's Road, Colombo 06
- No. 31, De Alwis Place, Dehiwala
- No. 05, Railway Avenue, Nugegoda
- No. 37/2, Beach Road, Mount Lavinia
- No. 15, Lillian Avenue, Mount Lavinia
- No. 19, Barnes Avenue, Mount Lavinia

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Colombo - 03, Sri Lanka

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Burj Khalifa District, Business Bay, UAE

Branch - Canada
#1 Helicon Gate,
Toronto, Ontario, M1G3R7, Canada

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A word from the President

President's Message



●● As a professional organization and the national body for accountants, CA Sri Lanka is at the helm to lead the change and enhance the standing of its members. ●●

Remaining relevant should be among our highest priorities as finance professionals, and we should embrace changes if we are to be in demand for our professional expertise and skills.

As much as professionals should focus on pertinence and progress, professional bodies too have an underlying responsibility to ensure that efforts are taken to complement the role of its members so they continue to achieve success and remain in demand. This is why CA Sri Lanka, throughout its history of nearly six decades, has ensured that the institute changes with time and takes every step to remain relevant so our members continue to be in demand across the corporate world.

However, as much as remaining relevant is important, it is more vital to ensure that our members continue to be ethical when discharging their professional duties; this is why our institute has taken steps not only to enhance the professional skills of its members by conducting various CPD programmes, but also to strengthen both ethics and good governance among them to ensure that our profession continues to enjoy its prestigious position in the global arena.

CA Sri Lanka takes pride in being a local body with a global outlook; however, if we are to continue to enjoy success, we need to incorporate global changes and trends, and integrate internationally issued regulations that will enhance the standing of the institute and its members.

In fulfilling this objective, CA Sri Lanka has decided to adopt the “Responding to Non-Compliance with Laws and Regulations (NOCLAR)” standard with effect from July 2017, to ensure that we too are in line with the latest international ethics

standards. NOCLAR is an important initiative aimed at safeguarding our profession, and enhancing the reputation and respect of professional accountants across the world.

Another significant decision taken by CA Sri Lanka in our continuing efforts to ensure that the country is in line with international standards is to implement the new Audit Report from March 2018. The new Audit Report by the International Auditing and Assurance Standards Board of the International Federation of Accountants has been designed to enhance the quality of auditor's reports for investors and other users of financial statements.

As a professional organization and the national body for accountants, CA Sri Lanka is at the helm to lead the change and enhance the standing of our members, so they will continue to be our pride and the reason why our institute continues to stand strong and proud.

Lasantha Wickremasinghe
President
CA Sri Lanka

Periscope

MAERSK DELAYS NINE DELIVERIES, SINKS INTO RED

19%

THE DECLINE OF GLOBAL FREIGHT RATES IN 2016

13%

THE FALL IN MAERSK'S REVENUE, DESPITE 9% VOLUME GROWTH

Danish container carrier Maersk Line is postponing the delivery of nine 14,000 TEU vessels, as low freight rates in 2016 pushed it into the red.

The company said that the last vessel from the batch built by South Korean Hyundai Heavy Industries will be delivered by the end of 2018, a year behind schedule. Freight rates fell 19% in 2016, pushing Maersk into the red. "That is why we will continue to manage our capacity tightly," Maersk Line CFO Pierre Danet said.

The decision was announced in the company's financial report, which recorded a \$376 million loss in 2016 compared to a \$1.3 billion profit a

year earlier. Revenue fell 13% to \$20.7 billion, despite volume growing 9.4%.

"This loss is clearly unsatisfactory. On the positive side, we won market share, continue to drive costs down and increased our utilisation. We remain competitive, and we have a strategy that addresses the challenges in our industry. It will ensure that we continue to focus on customers, maintain our leadership position and become profitable again," Danet told shareholders.

According to World Maritime News, container shipping demand grew 3% in 2016, while global fleet expansion was 4%. ■

ACCOUNTING JOBS AMONG THE HARDEST TO FILL IN THE US



Accounting and finance jobs are among the top 10 hardest job positions to fill in the US, according to Manpower Group's annual Talent Shortage Survey 2016. Finding finance staff like bookkeepers, certified accountants and financial analysts was the sixth hardest on the survey.

The lack of available applicants is the most common reason employers give to explain why they have difficulty filling jobs, the survey says. Lack of experience, technical competency and soft skills are other main reasons.

President and CEO of the Institute of Management Accountants (IMA) Jeffrey Thomson, writing to LA Biz (American City Business Journals), says the skills gap problem is complex but can be broken down into two forces: The fast changing business environment and non-responsive curricular.

"As the nature of work changes, so must the skills and competencies of accounting and finance professionals. While business demands more of accountants, what students are being taught in school has remained largely unchanged for more than 30 years," Thomson says.

Skilled workers like electricians, carpenters, welders, plumbers and masons were the hardest jobs to fill, followed by heavy vehicle drivers, sales reps, teachers, restaurant and hotel staff, nurses, unskilled labourers, engineers, and technicians. ■

FUEL IMPORTS ROCKET IN JANUARY 2017



Sri Lanka doubled fuel imports in January 2017 to plug an energy shortfall as drought hits hydro-powered electricity generation.

Hydropower's share of the country's energy mix fell below 11% in 2016 from an annual average of 35%, hit by the worst drought in 40 years.

This has increased fuel consumption in thermal power plants to meet the shortfall.

The Ceylon Petroleum Corporation imported over 520,000 more barrels of fuel in January compared to December 2016, Reuters reported, twice as much as typical monthly imports.

Periscope

SRI LANKA'S GROWTH PROSPECTS, FISCAL PERFORMANCE IMPROVING: FITCH

5.3%

FIVE-YEAR (2012-16)
AVERAGE REAL GDP
GROWTH

4.5%

ECONOMIC GROWTH
FOR 2016

4.7%

BUDGET DEFICIT AS A
PERCENTAGE OF GDP,
FORECAST FOR 2017

Sri Lanka's growth prospects are favourable, and the fiscal performance is seen as improving, Fitch Ratings said in a recent review, revising its outlook to 'stable' from 'negative'.

The ratings agency says its B+ rating for Sri Lanka balances weak public finances and a strained external liquidity position against the steady progress made on the country's ongoing International Monetary Fund (IMF)-supported programme.

But Fitch warned that negative rating action could be triggered if there was a reversal of fiscal improvements that lead to failure in stabilising government debt ratios; deterioration in policy coherence and credibility leading to a loss of investor confidence; or a derailment of the IMF programme.

"The IMF programme has eased near-term pressure on the balance of payments. The rating is supported by Sri Lanka's favourable growth performance, as well as its basic human development indicators and gov-

ernance standards, which are more favourable as compared with that of some peers," Fitch said in a ratings report in February 2017.

Sri Lanka's 2016 fiscal performance was better than in 2015, following strong revenue growth that was supported by a value-added tax (VAT) hike. This, along with lower government spending, should narrow the deficit in 2016 to around -5.6% of GDP, from -7.4% in 2015, Fitch says. It revised the budget deficit forecast down sharply to -4.7% for 2017 from an earlier estimate of -7%.

"The growth performance remains favourable. Sri Lanka's five-year (2012-2016) average real GDP growth at 5.3% is stronger than some of its 'B' category peers," Fitch said. However, the ratings agency has revised its growth forecast for 2016 to 4.5%, down from an earlier estimate of 5.3%, due to the effects of the floods and the Central Bank twice increasing monetary policy rates that year. ■

FOREIGN RESERVES RECOVERING: CB GOVERNOR

Foreign reserves will reach \$7.4 billion by the end of 2017, up from \$5.5 billion in January, Central Bank Governor Indrajit Coomaraswamy says.

Sri Lanka will raise \$1.5 billion from a sovereign bond issue and \$1 billion from a syndicated loan. The privatization of the Mattala Airport is expected to bring in another \$250-300 million. A deal to lease the Hambantota Port to China Merchants Ports could bring in another \$1 billion. Foreign reserves dropped to a low of \$5.3 billion in June 2016 from a high of \$9 billion two years earlier. The government's debt service for 2017 is estimated at \$2.6 billion. ■

\$7.4 bn

FOREIGN RESERVES
FORECAST FOR END-2017

\$2.6 bn

FOREIGN DEBT SERVICING FOR 2017

\$3.8 bn

EXPECTED INFLOW FROM DEBT,
PRIVATISATION

INDIA'S CENTRAL BANK SIGNALS END TO RATE CUTS

The Reserve Bank of India kept monetary policy rates on hold in February 2017 and announced a change in its policy stance to 'neutral' from 'accommodative', warning about the risks of high inflation.

The move surprised financial markets, sending bond prices sharply lower on fears that the bank was signalling the end of its current rate-cutting cycle. The repo rate was held at 6.25%.

"It's a big surprise to us. It looks like, going ahead, there are no chances of further rate reductions," Anjali Verma, an economist with Phillip-Capital India, told Reuters, adding that the central bank's view on inflation was more hawkish than markets expected. ■



NEGATIVE OUTLOOK FOR SRI LANKAN BANKS: FITCH

Fitch Ratings' sector outlook for Sri Lankan banks was lowered to 'negative' from 'stable', owing to rising bad loans and profitability falling 'slightly'. Fitch expects rising macroeconomic pressure to strain banks' credit metrics, asset quality in particular, the rating agency said in its 2017 Outlook for Asia Pacific banks.

"Fitch expects downside pressure on growth in 2017, and for real GDP growth to be at around 5%," the report said. Sri Lanka could face a period of adjustment, which could dampen economic performance in the short term, after its deal with the International Monetary Fund in June 2016, and remains susceptible to difficult global conditions, it said.

"The negative ratings outlook on Sri Lankan banks largely reflects the impact of the negative outlook on the sovereign and Fitch's approach of generally capping bank ratings at the sovereign

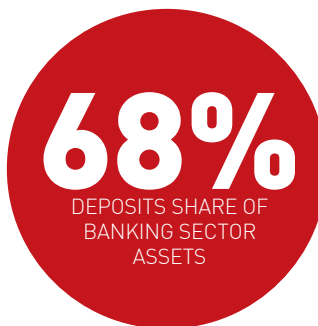
rating," the report said.

"This is because bank credit profiles are sensitive to the sovereign's credit profile, and risks stemming from the operating environment in the absence of a build-up of adequate loss-absorption buffers."

Fitch said it expects asset quality deterioration to become more apparent in 2017 in the aftermath of lending to more susceptible segments, and for banks' non-performing loan ratios to rise amid a more challenging environment.

"The decrease in sector NPLs throughout most of 2016 largely resulted from a reduction in NPLs from gold-backed lending, and this is not expected to continue to mask incremental NPL formation for the sector," the report said.

The rating agency also expects bank lending to moderate in 2017 alongside higher interest rates and reduced consumption



demand after the continued rise in credit demand this year prompted the Central Bank to raise rates and impose higher reserve requirements to curb credit expansion and inflation pressure. Fitch also said it sees capitalisation as a significant issue facing the sector, stemming from thin capitalisation across state banks and diminishing capitalisation across most non-state banks.

"Stronger capital buffers are desirable to counter-balance structural balance sheet issues and absorb unexpected losses," it said. "There has not been much

Tier 1 capital raising, and banks could face challenges in raising capital."

A potential increase in credit costs could offset the benefit of a possible improvement in net interest margin and result in a slight decrease in profitability, Fitch Ratings also said.

It noted that funding cost pressures have risen and competition for deposits has increased, although banks' liquidity continues to be supported through a stable deposit base, with customer deposits comprising the bulk of a banks' funding, at about 68% of assets.

Fitch said negative rating action could also result from pressure on banks' credit profiles through an increase in the risk appetite - such as sustained rapid loan expansion or rising exposure to more susceptible segments - unless it is counter balanced through higher capital buffers and stronger risk management. ■

MINIMUM EQUITY LIMIT RULE FOR BROKERS

Stockbroker firms trading on the Colombo Stock Exchange will be required to have a minimum of Rs100 million in shareholder funds, with effect from 1 January 2018. Capital markets watchdog the Securities and Exchange Commission announced the new rule in February 2017. The rule will also apply to debt dealers trading listed corporate debt. The rule will not apply to Central Bank-regulated primary dealers trading government securities. In 2015, the industry reported a Rs104 million loss, compared with a Rs604

Rs104 m
TOTAL LOSSES OF
STOCKBROKER FIRMS IN 2015

50
THE NUMBER (APPROX.) OF
EQUITY AND DEBT BROKER
FIRMS

million profit the previous year. Losses are expected in 2016 and beyond, given the stock exchange's continued listlessness. There are little over 50 stockbroker firms, including those trading debt instruments only. The SEC's move is expected to trigger consolidation. ■

ASIA SHOULD PAY MORE ATTENTION TO EUROPE

Asian currency watchers preoccupied with how Donald Trump's policies will impact the dollar and yuan are ignoring risks emanating from Europe in 2017.

"Europe is not on a lot of our clients' radars, but it really should be," Standard Chartered Bank's Eddie Cheung, a currency strategist, told Bloomberg in an interview.

Elections in France, Germany and the Netherlands will bring anti-establishment candidates riding a tide of global populism that already made Trump



the president of the US. "Asian currencies, including China's yuan, South Korea's won and Taiwan's dollar, are vulnerable to any tightening in Europe's liquidity conditions because their economies rely on external funding and trade with Europe," Cheung said. ■

Periscope

CHINESE FIRM BAGS RS162 BILLION EXPRESSWAY DEAL

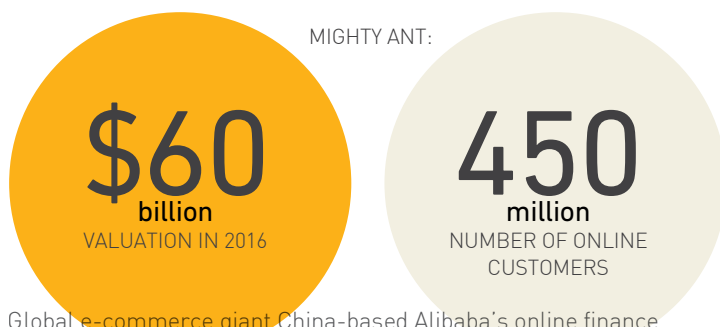


The government has awarded China's Gezhouba Group a Rs162 billion deal to build an expressway. The project will be financed by the Exim Bank of China through a 20-year loan with a 5-year grace period. The company will build Section IV of the Central Expressway, running from Kurunegala to Dambulla, covering 58.7 kilometres. The project is expected to be completed in three and a half years, and would be part of President Maithripala Sirisena's 'Rajarata Navodaya' programme in Polon-

Rs **2.7**
billion
COST PER KILOMETRE

naruwa, his home constituency. The cost of the road running across relatively flat terrain will average Rs2.7 billion a kilometre. Section II is to be built by domestic firms for Rs137.19 billion (about Rs3.4 billion a kilometre) and Section III by Japan. ■

ALIBABA'S ANT FINANCIAL TO RAISE \$3 BILLION IN DEBT



Global e-commerce giant China-based Alibaba's online finance company Ant Financial is planning to raise \$3 billion in bank borrowings to finance acquisitions and foreign investments. Ant is valued at \$60 billion, after a \$4.5 billion funding round in April 2016, according to Reuters. The company is also planning a public listing. With 450 million users, Ant dominates China's online payment market and is expanding its global reach by investing in Indian e-commerce website Paytm and Thai fintech Ascend Money. It also announced plans to acquire US money transfer firm MoneyGram International for \$330 million. Ant is controlled by Alibaba Founder Jack Ma. ■

BT TO BRING FORWARD AUDITOR REVIEW

British Telecom (BT) is accelerating the process of switching auditors after its Italian unit was hit by an accounting scandal.

BT was due to change its auditors of 30 years PwC in 2019, but a 530 million pounds scandal at BT Italia could see the switch taking place sooner.

A whistleblower alerted BT's senior management in London to inappropriate account-

ing at the Italian unit in 2016 initially amounting to 145 million pounds. A subsequent in-depth audit by KPMG uncovered a more complex scandal involving several people.

The managers of BT Italia are accused of artificially depressing cost bases to appear more profitable, such as booking operating expenses as capital expenditure to boost cash flow.

PwC has been BT's auditors since 1984. ■



NEW CB UNIT TO PROSECUTE DIRECTORS OF FINANCE FIRMS

The Central Bank will set up an 'Enforcement Unit' to prosecute boards of directors and senior management of failed finance companies who are involved in fraud and malpractices.

The unit will comprise Central Bank officials with specialised skills in law, forensic investigation and accounting. They will liaise with law enforcement authorities and assist in investigations.

"This unit will also deal with matters relating to unauthorised deposit-taking institutions," Central Bank Governor Indrajit Coomaraswamy said.

The Central Bank will conduct a public awareness campaign on the dangers of engaging in unauthorised investment schemes and with institutions not authorised by the Central Bank to accept deposits. ■

CICT DRIVES COLOMBO PORT VOLUMES, DESPITE INDIAN TRADE DROP



Sri Lanka's Colombo Port has increased throughput over the past two years with the commissioning of a deep draft terminal operated by a Chinese company, despite a fall in Indian external trade, data shows.

Until 2013, Sri Lanka's container traffic, which is mainly dependent on transshipment from India, closely followed trends in Indian external trade.

When Indian imports and exports expanded, Sri Lanka's container handling volumes also rose, and a dip in Indian exports caused a fall in Sri Lankan container handling.

In 2009, external trade in both India and Sri Lanka suffered due to a global

35%

SHARE OF CONTAINER VOLUME AT THE COLOMBO PORT HANDLED BY CICT IN THE ELEVEN MONTHS TO NOV 2016

4%

CICT'S SHARE OF TOTAL CONTAINER VOLUME IN 2014

economic downturn.

After 2011, Colombo's existing Sri Lanka Ports Authority (SLPA) and South Asia Gateway Terminals (SAGT) were operating at near full capacity. China International Container

Terminal (CICT), a unit of China Merchant Ports, opened in late 2013.

In 2014, CICT handled 686,636 containers, SLPA 2.59 million and SAGT 1.66 million, totalling 4.9 million containers. In 2015, there was a steep fall in Indian export trade, but Colombo's total volumes did not fall as in previous years.

Although volumes at SLPA terminals dropped to 2.25 million and SAGT to 1.37 million TEUs, CICT drew 1.56 million TEUs, taking the total volume handled in Colombo to 5.18 million in 2015 from 4.907 million a year earlier.

Although terminals that lost volumes believed that their traffic had shifted to

CICT, or that business had been 'cannibalised', it is not clear how much of the drop was due to the fall in Indian external trade.

Up to November 2016, Colombo's volumes grew to 5.22 million from 5.18 million, with CICT handling 1.81 million containers, according to data released by the ministry of ports, despite continued weakness in Indian trade growth.

SAGT managed to rebuild their volumes from a low of 1.371 million in the full year 2015 to 1.56 million units by November 2016. SLPA terminals had handled 1.935 million containers in the 11 months, compared to 2.25 million in 2015.

CICT said it handled 2.0 million containers, up 28% from a year earlier, by December and Colombo's total was estimated to have grown by around 11% (to 5.7 million).

According to Lloyd's List, in the first half of 2016, Colombo was among a handful of ports in the world to show double-digit growth.

In 2015, Colombo was the 27th busiest port in the world, behind Bremen/Bremerhaven in Germany (5.3 million units) and Tanjung Priok in Indonesia (5.2 million units). ■

(economynext.com)

UGANDA TO SAY GOODBYE TO ONE-PAGE AUDIT OPINION REPORTS

Uganda will introduce tough audit rules for state institutions and public companies, requiring external auditors to submit detailed opinions. The new rules will be effective from December 2017. The changes will apply to audit reports done on public institutions including banks, insurance companies and listed companies.

The new rules will require external auditors to add detailed information to their opinions, including company background, key audit matters, audit procedures performed and the auditor's professional qualifications and experience, their name and signature instead of the firm's, and the names of the colleagues consulted during the audit pro-

cess. This is likely to expand to the size of ordinary audit opinion reports from one page to about 10 pages. Additionally, government accounting officers who fail to answer more than 75% of queries raised by the Auditor General stand to lose their contracts. They usually serve contracts of three to five years in various ministries and departments. ■

Entrepre

PETER SAGE SAYS
ENTREPRENEURSHIP
IS THE ESSENCE
OF EITHER TAKING
ADVANTAGE OF
OPPORTUNITIES
OR CREATING
OPPORTUNITIES THAT
SOLVE PROBLEMS



neurship: Peter Sage's Prescription for Sri Lanka

The self-development guru says Sri Lanka's economy risks being left behind because too few citizens find the inspiration to embrace risks, start their own businesses and make it on their own

Sri Lanka's struggle to realise its economic growth potential is well known. Two recent events presented the opportunity to launch the economy to the next level – the end of the war in 2009 and the change in government in 2015 – but progress is slow. According to entrepreneurship guru Peter Sage, Sri Lanka's problem is mainly a weak culture of entrepreneurship.

"If we don't change, we'll get left behind. Sri Lanka has to embrace entrepreneurship, or it's going to look back and ponder over lost opportunities," he says.

Sri Lanka needs a unifying mission to inspire citizens into action, unleash their creativity to embrace uncertainty and propel the country forward. "You cannot expect leadership from politicians. Instead, it will be from people who come from nowhere and with nothing: entrepreneurs," he says.

In this interview with Abacus, Sage shares some thoughts on how Sri Lanka can develop entrepreneurship. Anyone can be an entrepreneur. The best place to start, Sage encourages, is by listening to your heart, nurturing your creative side and stop fearing failure. Even accountants can be catalysts for change.

Excerpts from the interview are as follows:

Are you born an entrepreneur or do you have to work towards becoming one?

A: For me, entrepreneurship is the essence of either taking advantage of opportunities or creating opportunities that solve problems, either personal, cultural or global, that carry inherent risks that are usually financial.

What does it take to capitalise on or create opportunity? That is the essence or the spirit of entrepreneurship. If there isn't a way, we will find a way. The ultimate resource for entrepreneurs is not capital, a marketplace, timing, conditions, interest rates, networks or business plans, it's resourcefulness. So, how do you harness that? Again, necessity is the mother of invention.

Why did birds evolve wings? To escape predators and travel distances without having to use their feet. That's evolution. Everything evolves. Entrepreneurs are just on the cusp of being able to evolve to suit the needs of society or anticipate the needs of society.

Can a country become entrepreneurial? How can Sri Lanka develop its entrepreneurial spirit?

A: Japan had to evolve in the aftermath of World War 2 through necessity. Russia, post communism, had to evolve through 'perestroika' or 'glasnost'. China took the benefits of capitalism seen in Hong Kong and Taiwan as an example and adapted it through its old model of communism. So, while their political structure is still avant-garde communism, their entire economy is now driven by capitalism. Everything adapts to the environment in one way or the other - either too late like Kodak and Blackberry - or they have the ability to anticipate which carries inherent risks but ultimately more rewards.

For a country like Sri Lanka, the inherent risk is the status quo. A lot of people are not moved emotionally to take action, there are too many conformists. What's the spirit of an entrepreneur? To be able to move emotionally to handle uncertainty, and that comes from one of two places: inspiration or desperation.

The world is changing. The world would be different tomorrow on a pretty fast trajectory. If we don't change, we'll get left behind. So, Sri Lanka has to embrace entrepreneurship, or it's going to look back and ponder over lost opportunities.

What's the fundamental prerequisite for entrepreneurship? It used to be the ability to handle uncertainty, but that's old school. Now, it's embracing uncertainty, because you soon realise that there's no uncertainty in life - let alone in business, the economy and culture. But our left brain won't tell us that when there is mortgage to pay on Friday. So, how do you then step forward and say you going to risk inherently what you're most afraid to let go of?

In a culture that's predominantly Buddhist, from a religious perspective, what is the nature of Buddhism? Everything in the physical world is subject to the law of impermanence. So, is it about what I can let go of? Is it about what I fear the most to lose? I've got news for you. Every relationship in your life is going to end. Whether it's a relationship with your soulmate, your kids, your business, your house or your body; at some



ABOUT PETER SAGE:

Peter Sage calls himself a serial entrepreneur and is unafraid of risk or failure. He has started over 20 businesses in diverse fields, some of them failing majestically, but others going on to become global successes like the World Wide Health Corporation (WWH), a company developing anti-ageing brands, and Energie Fitness Group, a chain of health and fitness centres.

A member of the Global Entrepreneurs Organisation and Entrepreneurship Advisory Board for INSEAD, a global top-five business school, Sage is an expert in human behaviour, leadership, customer service, motivation and personal development. He is invited by businesses and governments around the world to deliver keynote speeches and conduct seminars/workshops. His clients include NASA, Google, Royal Bank of Canada, Great Eastern Life and the Hungarian government.

Sage is a certified Master Practitioner of Neuro-linguistic Programming (NLP), and a trained specialist in Psychotherapeutic Intervention and Human Needs Psychology, spending a month each year in different parts of the world volunteering to mentor students, businessmen, homeless people, drug addicts, and victims of trauma and abuse.

A former competitive body builder, Sage is a decorated marksman, open water diver and skydiver. He is a member of Oxford's Dangerous Sports Club, having competed in several marathons including the 250km Marathon des Sables across the Sahara; has scaled some of the world's highest peaks; and competes at champion level indoor rowing.

point, it will end. So, the question becomes, what do I do with this gift of life?

Is it to validate to my next door neighbour that I'm socially acceptable and worthy because I drive a Mercedes? The essence of life is not about ego or trying to prove to the world that I'm good enough. A lot of businesses get started that way and fail because the person behind it is trying to do it for self-serving reasons.

Businesses that become unicorns faster these days are businesses that recognise that we are here to serve, and we're here as a culture. Do we believe in a vision? Do we believe in something? That starts with the CEO. Unless the CEO is coming from desperation into inspiration to change the status quo and start their own business to solve a problem that other people can benefit from, then you're going to get left behind as a culture.

What Sri Lanka needs is inspiration. You have the power to tap into inspiration when you have a country that unifies behind a mission. But for that, you need leadership. It rarely comes from the political arena, if ever. It's got nothing to do with inspirational leadership. The last decent inspirational leader that really stepped up was a statesman, not a politician, because the two are very different - it was Nelson Mandela.

How can we transcend cultural differences? How can we unite a country that was ready to tear itself apart? By coming from a higher place of awareness, through forgiveness, we can turn it into a beautiful thing. Of course, we are different colours, but that is what makes us unique. Even Nelson Mandela had to risk being unpopular for what he believed was the greater good.

The role of a politician is to be re-elected, not to serve the greater good. That's why there are so few politicians that can actually affect change in a country. That's why you have a benevolent dictatorship, like the UAE for example. It gets stuff done faster, and doesn't care whether it is politically correct or not. But most political systems are set up to be diametrically opposed to progress, because even if one party supports a cause, it becomes a target for the other party just to take a different point of view because they are not meant to agree.

In a country like Sri Lanka, if it's not going to come from political leadership, it

has to come from other role models - entrepreneurs, the people that come from nowhere and start with nothing.

You don't need a certificate from an educational institution. The ability to handle uncertainty is not something you can learn in school. School teaches you two things: How to pass tests and how to work for someone else, and your intelligence is validated by a piece of paper signed by somebody you've never met and measured by your memory of something that has very little relevance now because it came out of a 20-year-old textbook. That's education.

Following in the footsteps of people that buck the trend is really probably the most important thing a country can do, because they

What Sri Lanka needs is inspiration. You have the power to tap into inspiration when you have a country that unifies behind a mission.

believe it can be done.

You don't need the right education, right opportunity, right business plan, right mentors or right access to capital. You need what failure can't live with: persistence, innovation, creativity, desire, tenacity and a willingness to be unpopular for the moment because you believe in the greater good. These are the best character traits you can teach any entrepreneur.

You need to be able to separate personal rejection from concept rejection. If someone turns down your offer for finance or your business plan, they rejected your idea, not you. And just because your business fails, it doesn't mean that you do.

Even though economic policy and the in-





frastructure are not in place, will entrepreneurial spirit find a way?

A: If you're waiting for the government to put in place policies that are conducive for business, you'll be waiting for the rest of your life. You go out, you swing the bat. You miss, you adjust. For an entrepreneur, there has never been a better time in history to start a business. If you are waiting for it to get better, you may

as well go and get a job. Take the energy you're investing in complaining and channel it into what is in front of you. You've got far more resources to have a better, more fluid life than thinking about some politician's promises. Do governments play a role? Yes, but you play a much bigger role.

Can accountants become entrepreneurs?

A: Let's look at traditional education. Modern education in its current form was designed with certain parameters in mind: Conformity, obedience and the inability to question authority. Where does creativity come from? Where is the human spirit?

Most accountants have gone through a systematic destruction of the very gene that cries out to be entrepreneurial. Modern education is also validated by left brain assessments. Accountants are trained to think with their left brain and be logical, with financial and criminal consequences if they get it wrong. The left brain's job in nature is to balance the equation of us being right-brained, and using logic, justification and all the tools necessary to make sense of the world. The right brain doesn't have to make sense of anything. How does one make sense of following a passion? You haven't got the education for it and you can't justify it on a spreadsheet, but it's your calling.

The heart and the brain are designed to work in harmony. There is an old Indian proverb about a blind man and a cripple who hated each other and never spoke. One would tease the other all the time. One day, the village caught fire and everybody fled; the only two people left were the blind man and the cripple. It was then that they realised that if they didn't work together, they were going to burn to death. For most people, the brain is the blind man. It can move and make decisions, but it can't see where to go. The cripple is the heart. It knows and feels what is fundamentally true for you, but it can't move. Most people put their brain before their heart, and wonder why they get burnt. If they put their heart on top of their brain, they would be able to move forward.

For accountants, the heart is where the entrepreneurial spirit comes from and where inspiration is found. You can't work out a formula for expiration. Most accountants are trained out of entrepreneurship systematically from school. They are taught to be risk averse. So, first of all, they've got to understand that they've been programmed wrong. Accountants are amazing,

PETER SAGE
ADDRESSING
THE CA SRI
LANKA ANNUAL
CONFERENCE
2016

but there are many things that govern who they are and what they do.

The most powerful force in human personality is the need to remain consistent with how you define yourself. Accountants manage books, crunch numbers and sign off audits. They balance the equation. You can't take risks with spreadsheets or someone else's financial statements. The most powerful identity you can ever have: I am. You're not an accountant, you're a human being who happens to do accountancy because that's the profession you've been trained in. But if I see myself as just someone who practices accountancy as a vocation, then I've got a shot at being entrepreneurial. So, do accountants have a tougher time crossing that bridge? Yes. Is it possible? Of course.

Like training the left side of the brain, does using your heart and the right side of the brain require practice?

A: It's like enlightenment. Occasionally, there may be certain people in history that have lightning bolt moments of enlightenment. For the rest of us, it takes practice. It's like meditation. Most people ask 'why do you meditate?' It's because the mind is like an untrained puppy. Most people have no clue how to quieten the mind and concentrate. If you practice, you'll get good at it. We don't go to the gym once and get thin. You go to the gym and get sore. It's frustrating, and a lot of that frustration prevents people from going through to mastery.

If your left brain and your heart sit at a debate table, which is what happens with most people, who wins and why? The brain usually wins, not because it's right, but because it has access to more debating tools like language, logic, reasoning, deduction and metaphor. The heart doesn't speak in languages; it speaks in only two feelings: Feels good and doesn't feel good, positive and negative, move towards and move away, etc. Occasionally neutral but generally speaking, most people won't listen to their hearts because the left brain has got all the volume.

Where does practice come from? Willingness. Where does willingness come from?

A: Having a big enough 'why'. Should you do that? Well, if you're absolutely happy and ecstatic doing what you're doing right now, stay with it. I'm not here to tell any accountant that they shouldn't be an accountant. But they would do well being mindful of the way the

Most accountants have gone through a systematic destruction of the very gene that cries out to be entrepreneurial. Modern education is also validated by left brain assessments.

global economy is moving, because what used to serve the world yesterday isn't serving it tomorrow.

Do you see accountants becoming more creative?

A: Yes, 100%. I used to have a high-priced finance director and an accounting department. I now outsource everything for \$15,000 a month to Poland, where I've got a CFO who's got a PhD in economics and teaches at the University of Krakow. So, how can they be so cost effective? Because software handles everything. I can take one snapshot of my receipt and it's already calculated into a spreadsheet 5,000 miles away for my weekly report. The world is changing. If you don't keep pace, you end up like Kodak or Blackberry, and the list goes on. Why does Microsoft keep bringing out new versions of its products? Simple. If we don't obsolete our products, somebody else will. So we do it first. If accountants don't obsolete themselves, through creative thinking, the market will.

How do you define success?

A: I don't have any right to give anybody their answer. I have my own answer and I'm happy to share that. For me, there is a big difference between understanding the role of two fundamentally different things, happiness and fulfillment, when it comes to success. Most people chase happiness, but it's an illusion. A destination is an illusion. Happiness is nothing more than a transient emotion. Do you want the secret of happiness? I can give it to you, no extra charge. Think happy thoughts.

Happiness is nothing more than a temporary human emotion. Most people want to feel happiness and chase it thinking it's success. But I want to be fulfilled. Fulfillment comes from a deeper place. To me, success is not chasing happiness. Fulfillment comes from, when I take my last breath, if I'm lucky enough to have the ability to choose my last sentence - it would be something like 'wow, now that was spectacular, I gave it everything—win, lose or draw, I swung the bat.'

Success and fulfillment depend on what you are dedicating yourself to and whether it is adding value to the world or people around you. Or is it looking around trying to find another place to plug in your umbilical cord because you're too scared somebody will judge you for not being enough? ■

Income Tax Reforms: Is Sri Lanka Doing Enough?

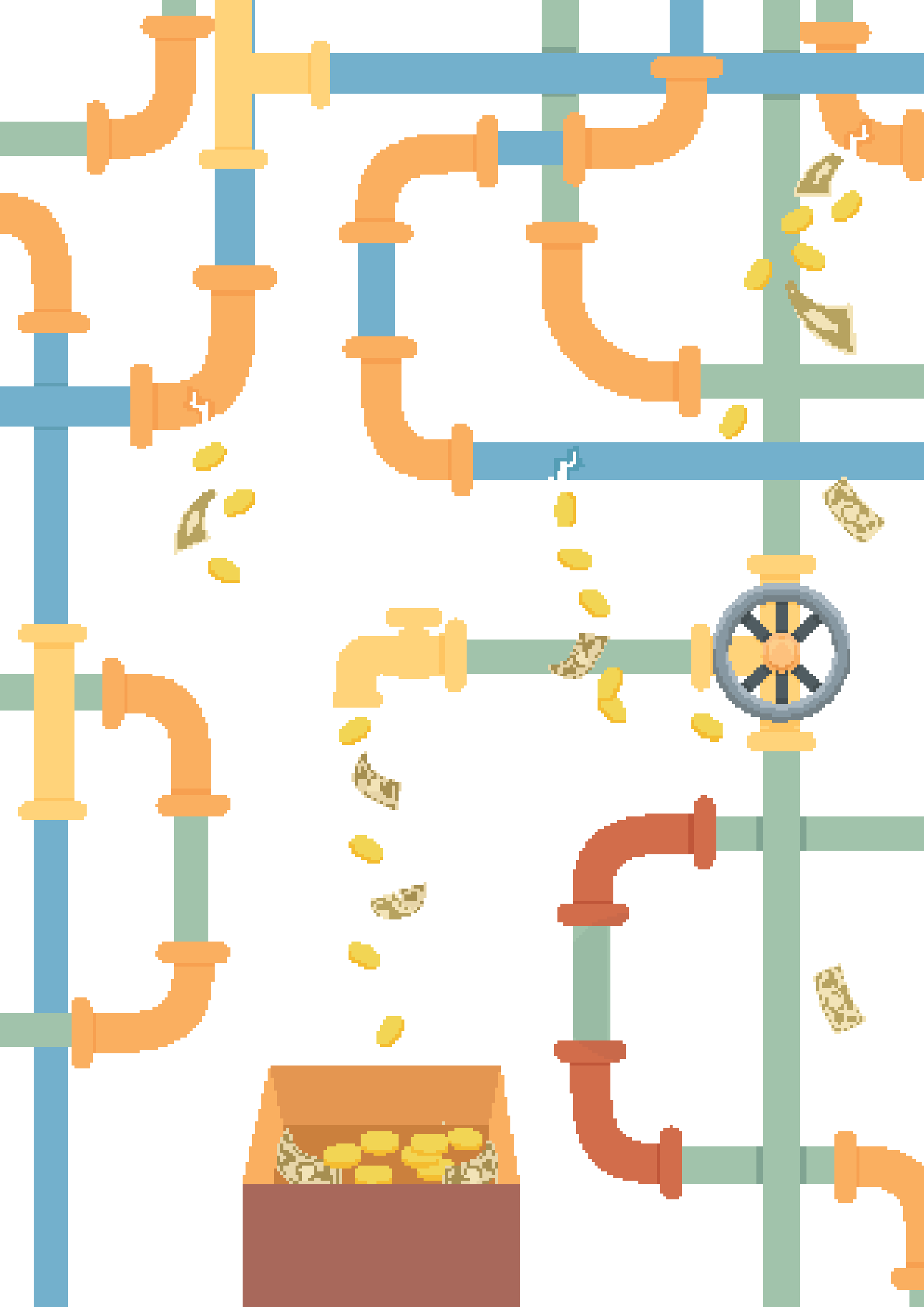
Annual income tax collection, reversing a declining trend, will reach 3% of GDP by 2020, the government forecasts, but that's less than half of what its medium-term economic plan envisions

BY DEVAN DANIEL

Sri Lanka's tax collection as a percentage of GDP is lower than most Sub-Saharan countries, and is inadequate to fund social services and public infrastructure critical for growth. Improving tax collection is crucial, and can be achieved without hurting the poor and killing consumption by focusing on income taxes.

Sri Lanka's annual income tax collection as a percentage of GDP is expected to pick up from 2017 after years in decline as the government rolls out IMF-backed reforms—including the full implementation of RAMIS and a proposed new income tax code. However, the ultimate objective of widening the income tax net, reducing rates and decreasing dependence on indirect taxes will probably be achieved well beyond 2020, according to Finance Ministry forecasts.

Income tax to GDP at 2.9% in 2008 reached a low 1.9% in 2016, according to Treasury data. The trend is expected to reverse: Income tax in 2017 is expected to increase to 2.5% of GDP, reaching 2.9% in 2020. Sri Lanka's challenge is that, at the equivalent of nearly three per cent of GDP, the income tax contribution to revenue is still low. Prime Minister Ranil Wickremesinghe set the goal to increase the income tax contribution to total tax revenue from 18% to at least 40% when he announced the medium-term economic plan, which means income tax to GDP must be at least 8%.



Income tax reforms hinge on the Revenue Administration Management Information System (RAMIS), which is yet to be implemented, and a new Inland Revenue Act expected in April 2017. Under the Extended Fund Facility programme with the IMF, the government has committed to “creating new income tax legislation that is both in line with international best practices, clear, transparent and aimed at widening the tax net such that tax rates may be reduced over time. The road ahead is not going to be easy. In a November 2016 review of the Sri Lankan economy, the IMF said, “The political challenge of tax reforms—VAT and income taxes—has been and will remain a policy risk.” But the government will have to stick with the reforms.

Poor countries struggle to raise adequate tax revenue to pay for public infrastructure. This is a cost of being poor; most people are penniless and much economic activity is in the informal

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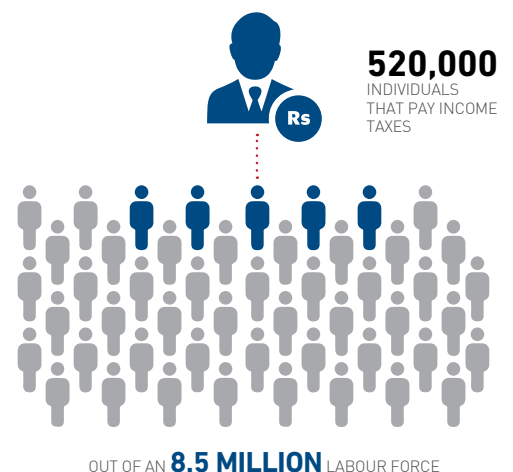
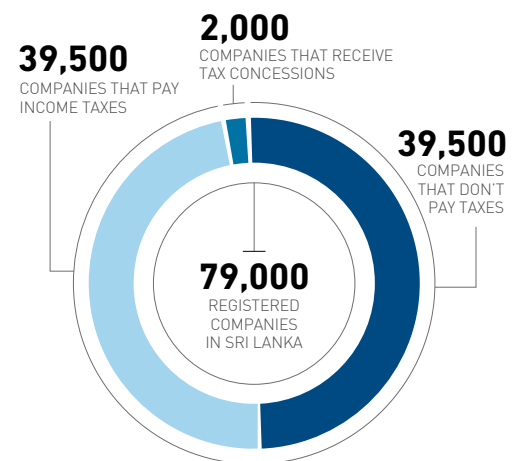
sector, which puts it beyond the taxman's reach. Businesses and wealthy people who should pay tax on profit or income don't feel compelled to do so because the government is usually corrupt, infrastructure derelict and nobody else is paying taxes anyway.

Income tax, which businesses and the self-employed pay on their profit and those with jobs pay on their income, is relatively easy to dodge. Although tax dodging - also called evasion - is a criminal offence, gathering evidence to prove a case is impossible where cash transactions are the norm and companies don't keep detailed records.

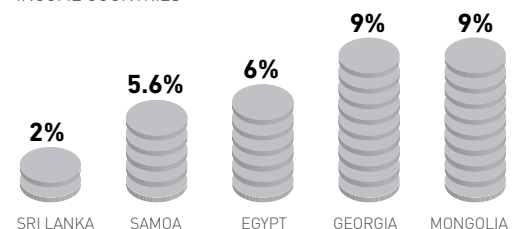
The other major tax source is consumption. A country with enough resources invested in administration can successfully enforce consumption tax by requesting companies to pay a portion of turnover as tax. Enforcement is easy because it's a simple, efficient and diffi-

INCOME TAX COMPLIANCE

NEARLY HALF OF REGISTERED COMPANIES AND MORE THAN 95% OF THE LABOUR FORCE DON'T PAY INCOME TAXES



INCOME TAX TO GDP OF LOWER-MIDDLE INCOME COUNTRIES



cult-to-evade tax. Sri Lanka is no longer a poor country. It rose above abject poverty ranks after the economy was opened to market forces in the late 1970s, and collecting a share of business revenue as turnover tax became more viable. Soon enough, the equivalent of more than 20% of GDP was being collected in income tax, turnover tax and import levies combined.

In the last decade-and-a-half, things have gone horribly wrong. In 2015, tax collection as a percentage of GDP declined to 12% - lower than levels seen in most of Sub-Saharan Africa. The Center for Tax and Development estimated three years ago that the average tax takes in Sub-Saharan Africa had risen from 12% of GDP in 1990 to 15% by 2010. The turnaround in Sub-Saharan Africa is due to the implementation of value-added tax (VAT) and the creation of autonomous tax agencies.

Sri Lanka's income tax-to-GDP, at two percent, is much lower than that of some peers in the middle-income group: Georgia and Mongolia have 9%, Bhutan 7.7%, Samoa 5.6% and even troubled Egypt has six percent. Sri Lanka's total tax income as a percentage of GDP fell from nearly 20% in the 1970s to 11.4% in 2014, lagging behind several developing country peers: Georgia has 24%, Samoa 23%, Ukraine 18%, Armenia 17.5% and Tunisia 21%, according to IMF data. There are three reasons for this. First, income tax evasion here is widespread for an economy in Sri Lanka's state of development. Second, the tax code has too many loopholes, making it easy to avoid taxes (without committing a criminal offence). Third, Sri Lanka's revenue department is not an autonomous agency.

If the income tax to consumption tax ratio is to improve from 18:82 to 40:60 (which is widely regarded as a comfortable level for equitable growth), income tax-to-GDP must reach at least six percent – assuming that no taxes and rates are changed.

"If tax evaders are brought into the net we could collect another 1.5% of GDP," says former Inland Revenue Department (IRD) Chief and a member of the 2009 Presidential Taxation Commission R. P. L. Weerasinghe.

The International Monetary Fund (IMF) estimates that Sri Lanka loses tax revenue equivalent to 1.33% of GDP from tax holidays and concessions to businesses, many of which the government has agreed to discontinue for new investors. Roping in evaders and discontinuing tax holidays and concessions over the next few years will still leave another 1.2% gap.

"Professionals and businesses are probably not paying a fair share because of loopholes in the law," a tax consultant for a Colombo office of one of the top four global audit firms said. "Either that, or they are smarter than the IRD."

In Sri Lanka, as in many other countries, individuals and corporates assess their own taxable incomes and liability.

Tax rules are complicated. Different income items are taxed at different rates and not all expenses can be deducted. A tax consultant can help unravel these. In Sri Lanka, detecting tax evasion is difficult and proving it is tougher. The IRD collects data from several agencies, and manually sifts and compares this to try and find income tax evaders. Customs and excise departments share information with the IRD on import and other taxes they collect. The Registrar of Companies and the Registrar of Motor Vehicles send records on new companies and vehicle purchases each month.

If the income tax to consumption tax ratio is to improve from 18:82 to 40:60 (which is widely regarded as a comfortable level for equitable growth), income tax-to-GDP must reach at least six per cent – assuming that no taxes and rates are changed.

"We get import data from Customs daily, but it takes a month for us to compare it with other data. And by the time we decide to investigate, the trail's already turned cold," IRD Assistant Commissioner Gamini Waleboda, president of the IRD Executive Officers Union, says.

The IRD also receives vehicle leasing data from finance companies. When expensive vehicles change hands, tax investigators again cross-reference their own database. The same goes for land transactions in which cases the Land Registry shares information with the IRD. Tax investigators track down possible tax evaders, but collecting enough proof is difficult. Banks won't share information with the IRD without a warrant, but the IRD must know specific account numbers to prepare a warrant. The possible evader may give the IRD an account number maintained for normal banking activities.

“Proving that a person is earning enough to pay income tax is the most difficult thing. We can’t assume anything,” IRD Deputy Commissioner Upali Abeysingha says.

Companies evade taxes by maintaining two separate sets of books, one with overstated costs and understated revenue to minimise profits so the tax liability will be minimal. Traders have been caught in Pettah, Colombo’s commercial hub, running meager store fronts as a front with sprawling stores elsewhere in the city. Expensive vehicles and houses are registered under family members’ names.

Professionals are the other big income tax evaders. Weerasinghe says doctors and lawyers in particular were adept at evading taxes.

Private hospitals don’t always accurately

law only allows expenses directly related to a business to be deducted for tax purposes.

“This rule is often violated,” Abeysingha says, but tax officers have to rely on audited accounts, and making sure all tax filings are clean can be a daunting task.

The IRD audits only three percent of tax files each year, as it does not have the capacity to dig deeper into existing taxpayers let alone uncover the evaders outside the income tax base.

Tax evaders are let off with a light sentence in Sri Lanka, unlike in other countries. Spain, for example, gave football superstar Lionel Messi a 26-month jail term for tax fraud. In Sri Lanka, tax evaders are made to pay one to two years’ taxes and a penalty of Rs50,000.

“Our policy is not to harass people into paying taxes, so our penalties are not that tough,” Abeysingha explains.

“We get import data from Customs daily, but it takes a month for us to compare them with other data. And by the time we decide to investigate, the trail’s already turned cold,” IRD Assistant Commissioner Gamini Waleboda, president of the IRD Executive Officers Union, says.

disclose payments made to doctors. Abeysingha claims that the IRD has evidence of hospitals understating the number of patients treated by doctors and not issuing vouchers for doctor payments. Some hospitals issue multiple sets of consultation numbers from 1 to 20 to dupe the tax authority into believing a particular doctor saw only 20 patients that day. When it comes to lawyers, tax officers know that some of them mint money but cannot prove it. They have no access to court registries and, in the case of corporate lawyers, the IRD cannot trace payments for legal services.

“Only when these doctors or lawyers invest in something like a house or vehicle do they get captured in the system,” Weerasinghe says, “but then, details must be manually referenced to come up with a credible pattern to build a tax evasion case.”

Family-owned businesses often charge personal expenses to the company to understate profits and reduce tax liability. The income tax

Sri Lanka’s tax code is complex and in constant flux. Making use of loopholes is not illegal. Tax avoidance is the deliberate misuse of legal loopholes to wriggle out of paying a fair share of taxes. There are several ways in which companies minimise their tax liabilities.

Former IRD Chief Weerasinghe, other IRD officials and the tax consultant who spoke to Echelon on condition of anonymity say the most common way in which companies avoid taxes is through inter-group transactions. Companies making a turnover below Rs250 million or profit below Rs5 million are taxed at 12%.

“When they near this threshold, we’ve seen companies open subsidiaries to stay below the range and avoid the higher tax,” IRD Deputy Commissioner Upali Abeysingha says, adding that “this is permissible by law”.

Companies above the turnover or profit limits are taxed at 17.5% and 28%, respectively, in the case of a trading company.

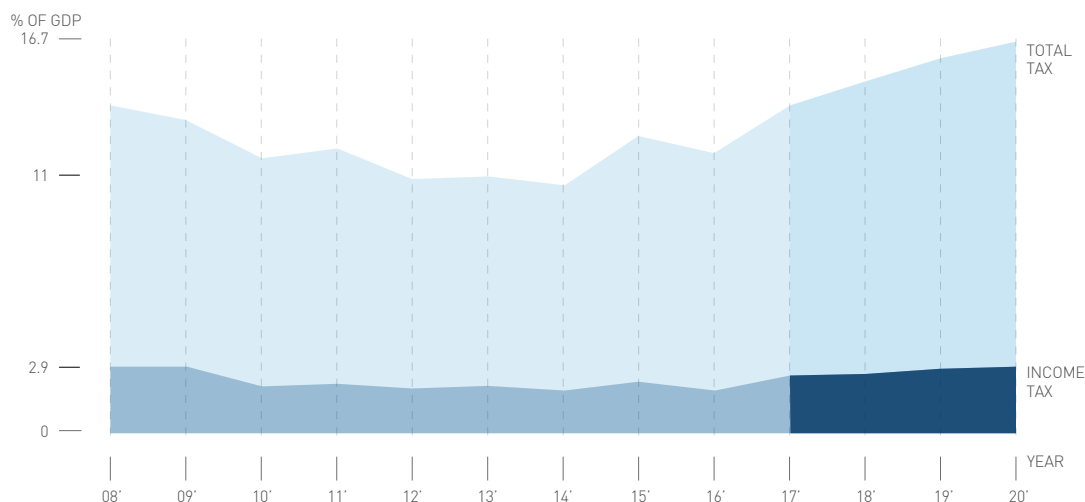
Intergroup fund transfers are another common avenue of tax avoidance, especially when one of the companies in the group falls within the 12% tax rate limit or enjoys tax concessions such as those granted to Board of Investment (BOI)-approved companies.

“We constantly see goods and services being sold below market price to such companies within a group,” IRD Assistant Commissioner Gamini Waleboda says.

Although the group profits may not change, the taxes are charged separately. Liability of the group to taxation can thus be reduced by deflating profits at the entities within the higher

TAX REFORMS

THE GOVERNMENT SAYS IT'S REVERSING A DECLINING INCOME TAX-TO-GDP TREND WITH THE ROLLOUT OF RAMIS AND A PROPOSED NEW TAX CODE



tax margins and inflating profits at those within the lower. The tax code prohibits this practice, but it is not easy to capture when IRD officers only have audited final accounts to go by.

Many BOI companies were engaged in this practice when their tax holidays lapsed several years ago. They then opened new companies with new tax holidays and concessions.

Multinationals use intergroup transactions or transfer pricing to evade taxes in countries where rates are higher, by overstating profits in countries offering tax holidays or lower rates. Developed countries have introduced transfer pricing laws to prevent tax evasion of this nature. In 2006, Sri Lanka introduced transfer pricing rules applicable even to domestic groups of companies, to its tax code. But the rules were vague, requiring companies to conduct intergroup transactions at arms-length - at market rates, in other words.

"We plugged the transfer pricing loophole, but it was not easy to implement because there was no direction on how goods or services can be priced," Weerasinghe says.

Transfer pricing rules were tightened in 2013 and again in 2015, requiring companies to list all transfer pricing transactions and have them

certified by auditors.

"The rules are not applied across the board," the tax consultant said.

Waleboda says it is not easy detecting irregularities because the IRD still depends on information provided by the taxpayer.

Interest expenses on borrowings are tax deductible anywhere in the world. But when a company borrows from a bank and transfers the funds to other companies within the group that fall under a lower tax threshold, there is room to avoid taxes. The tax code imposes a limit on how much of the interest expense can be written off when a company borrows funds to transfer to another company within the group, which nevertheless pays income tax at a lower rate. Companies keep pushing the limit hoping it can continue undetected.

With BOI tax holidays and concessions to be phased out, intergroup transactions will no longer be widespread. They will nevertheless continue to be a concern, with the three-tiered (12%, 17.5% and 28%) income tax structure for companies. Companies where ownership is closely held by an individual or a family are particularly tricky. Director salaries are liable for PAYE (Pay As You Earn) tax, but profits are

enjoyed by owners in other ways. Companies provide directors with housing, vehicles and other personal expenses, while overseas travel expenses are charged to the company.

The tax code does not allow directors or owners to expense deductions for tax purposes except under specific conditions. The company must prove these benefits are directly related to the profit-generating operations of the company. Even if they are, the director must still pay personal income taxes for these benefits.

"Making a call on these is not always easy," Waleboda says. "The law is complicated and interpretations can vary."

Tax dodgers not only gamble on the incompetence of tax officers, but also get inside help. Waleboda admits that there are IRD officers who can be bought.

In 2015, tax collections as a percentage of GDP declined to 12% - lower than levels seen in most of Sub-Saharan Africa. The Center for Tax and Development estimated three years ago that the average tax takes in Sub-Saharan Africa had risen from 12% of GDP in 1990 to 15% by 2010.

"We need to see changes, and this must start from the top," he says. "We need competent, creative and bold professionals to give leadership to the department. Individuals cannot change in a vacuum; the institution must be strengthened."

It is hoped that the Revenue Administration Management Information System (RAMIS) will tilt the income tax evasion and avoidance game in the IRD's favour. But tax officials are not enchanted by RAMIS; their optimism is subdued.

The onus is on the 23 other agencies linked to the system to ensure accurate data entry and that deliberate tampering is avoided. The 2009 presidential taxation commission has already raised concerns with the old information system used by the IRD - there were too many data entry errors.

For RAMIS to work, data entry at each of the 23 government agencies will need keen oversight and laws will have to be introduced allowing these agencies to share information with

the IRD. There are also operational hurdles to overcome. For example, the Registrar of Companies does not have an IT system of its own, so the IRD had to release its own staff to catalogue and classify registered company data.

RAMIS will also take care of another problem in the IRD: the movement of individual tax files, which will be monitored by the system, whereas in the past there was poor oversight. Files could be moved from person to person, allowing taxpayers to game the system with inside help.

Once the new system comes online, tax officials will not have to manually reference data from other agencies: RAMIS is programmed to make the connections and flag potential tax evaders.

But this won't solve the IRD's biggest problem - finding evidence for tax evasion that will stick and containing smart tax avoidance moves. RAMIS must also be programmed to leave an audit trail so the credibility of the data is secure.

"Don't expect results overnight. It could take us 10 years before we see a more tax compliant nation," an assistant commissioner working closely with the RAMIS project said.

But others are optimistic.

"RAMIS will help us identify the good taxpayers so we can focus our resources on going after the rest," Waleboda, the IRD union leader, says.

According to the International Monetary Fund (IMF), the government's proposals to increase the income tax revenue share from 18% of total government tax revenue to 40% will likely fall short. The latest IMF report on Sri Lanka says the proposed tax reforms will increase income tax revenue to four percent of GDP by 2020 from the current two percent.

The tax reforms proposed in the Prime Minister's medium-term economic plan and its proposals to the IMF don't dwell too much on administrative reforms. Tax administrative reforms will have to come before the income tax problem can be fixed.

"There is no point having the tools to deal with evasion and avoidance if they are not used," Weerasinghe says.

"We've had rules on transfer pricing, inter-group fund transfers and how director benefits are taxed, but these are not implemented widely. And you can keep dancing to the tune that lowering tax rates will widen the base, but this will never happen. You must first fix the institutional weaknesses." ■

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OMID GHAMAMI, THE
PRESIDENT OF US-
BASED PURCHASING
ADVANTAGE
SOLUTIONS, SAYS
PROCUREMENT CAN
DELIVER PROFITS



Interview

Strategic Procurement Can Deliver Profits: Omid Ghamami

The CA Sri Lanka Strategic Summit 2016 keynote speaker says procurement divisions in companies don't have to be administrative cost centres unlike HR and accounts

Omid Ghamami, the president of US-based Purchasing Advantage Solutions, a consultancy firm, says procurement departments are evolving from cost centres to profit makers, but finding acceptance as a profession is challenging. Universities don't offer degrees in procurement, and most companies and governments still view procuring as an administrative function to purchase goods and services quickly and cheaply. "The profession has evolved beyond that," Ghamami says.



“In my experience, procurement can generate profits and be a source of repeated competitive advantage for a company,” he says. Ghamami, who also works with the US state sector to improve public procurement, says he’s seen private companies generate up to 97% cost savings from strategic procurement. “I’ve helped mid-to-large scale companies restructure their businesses by building their procurement capabilities so they can recover and start generating profits again.”

In this interview with Abacus, Ghamami discusses the evolution of the procurement profession, its potential and why finding acceptance is challenging.

What do you mean by strategic procurement, and why is it important?

Procurement is all about the acquisition of goods and services quickly at the lowest possible price, but our profession has moved beyond that. Now, procurement is about gaining a competitive advantage for the company across the end-to-end supply chain from the supplier’s supplier to our internal customers and the end customers of the business. Procurement tries to lower total costs across this value chain from buying, storing, insuring and disposing stocks—so it’s no longer about buying things at lower prices.

Traditionally, procurement departments are viewed as overhead centres. In my experience, procurement can generate profits and be a source of repeated competitive advantage for a company.

Traditionally, procurement departments are viewed as overhead centres. I often help companies restructure their businesses by building their procurement capabilities, so they can recover and start generating profits again. So, that’s the place we are trying to move the profession. It’s not another cost centre like human resources or accounting and finance, because the total cost saving we can deliver to a company gets passed down to the bottomline. But changing perceptions is challenging.

Procurement used to be about buying things for various people in the company and quickly. It was an administrative job that did not require qualifications. Now, it’s becoming more and more strategic.

The idea of total cost ownership was popularised in the mid-1990s, but the idea of being a value-added centre of profit is very new, and unfortunately perceptions are slow to change. Most business schools don’t offer any kind of curriculum in procurement, and the entirety of the profession, no matter where you go, comprises people who didn’t plan for it to be a career. Many landed in procurement by accident and eventually report to someone in the company who doesn’t understand procurement very well.

The challenge is getting procurement involved in the decision-making process.



GHAMAMI AT THE CA
SRI LANKA STRATEGY
SUMMIT 2016

Previously, procurement got involved when they were asked to purchase something for the company. A company's purchase decisions are often based on functionality and the lowest price. Procurement, on the other hand, will have a view of costs across the supply chain from the supplier's supplier to how a purchase will impact future costs once bought. Once the supplier has your money, things can become very challenging.

The more you understand costs and cost drivers before you give business to any supplier, and if you understand the scope of work or specification of what you are buying, the better off any company is. Changing perceptions about procurement's potential is a challenging task and it's going to have to be based on evidence. The only thing that's going to push the tide is results.

Is this discipline a typical feature of a trading company and manufacturer?

Every company, anywhere in the world, has to buy. Look around your office; everything in it was bought. A majority of the things that are being purchased are the same, regardless of the industry. Every company has to pay for things like furnishing, computers, landscaping, security, janitorial, buildings, heating, ventilation, air conditioning systems, building maintenance,

Procurement is about gaining a competitive advantage for the company across the end-to-end supply chain from the supplier's supplier to our internal customers and the end customers of the business.

marketing and postage. These are industry agnostic, industry-independent purchases, and the list goes on. All these are indirect purchases that don't go into making a final product. Sometimes, a company may need to procure services. Then, you have the goods and services that are procured as direct inputs to a company's business. These procurements are industry specific.

So, no company is exempt from buying things. No matter where you go in the world, profit equals revenue minus cost. Most CEOs focus on maximising revenue, and even if it is doubled, the company may still be losing money that it shouldn't because of unwanted costs.

Procurement is uniquely positioned to see the costs and understand them. Finance and accounting divisions rarely challenge whether the cost could be something else or whether the company should be buying something else. Procurement is in a position to do all that, not just accounting for the numbers but actually changing the numbers by increasing the cost advantage.

You've said, in your experience, that strategic procurement can generate significant savings. Can you explain how this happens?

Let's talk about the upstream first. Procurement needs to design the purchase, not just accept what people in a company want to purchase. I've found that people are not smart with their purchase decisions.

They over-design a purchase or put in specifications that are far too rigid or not required, or they create something that is highly customised when a very simple standard solution already exists. I've seen cost savings up to 97% by companies focusing on internal demand to cut off the frills. In fact, more cost savings tend to exit here than in negotiating better terms with suppliers.

In some cases, you are not trying to negotiate to lower the purchase price, but to get better quality and minimise future costs that may occur after the purchase. The end user in the company typically wants to buy something very fast. They want procurement not to ask too many questions. Procurement has to be able to explain the multitude of problems that can arise by ignoring the cost analysis and the negotiation process. You might buy something cheap or fast and create a lot of costs in the backend. In my experience, on average, about 20% of savings can be achieved by negotiating for better quality. Another important aspect is upstream analysis, which I have found can cut

costs by as much as 80%. Very few people in the procurement profession understand this concept. Everybody is focusing on the money at the negotiation stage, but that is not where the money is. When you try to get the money in negotiations, you are trying to compress supplier profits. The real money is in trying to compress supplier costs, and the only way you are going to do that is through upstream analysis. This is done by asking suppliers to explain their products, breaking them down into components and understanding how each of these is priced. Then, you work together with the supplier to introduce substitutes to help bring down the cost. This is just one example; I could go on and on.

What skills do procurement professionals need to possess?

Procurement professionals need cost analysis skills and the ability to work with large databases to understand behaviour, suppliers and their value chains. They need skills to influence suppliers and people within the company—or internal customers—or generate demand. You need to be able to challenge them sometimes and make them understand why a particular purchase may not be in the best interest of the company. Rather than being confrontational, you need to win over the end user by making them feel good about the deal, so interpersonal skills are crucial, but it takes time to develop.

A procurement professional needs to be grounded in contractual law to draw up contracts that not only focus on what you want to buy, but what performance results you want to receive as a consequence of an agreement. Well-thought-out contracts can even facilitate direct purchases by non-procurement departments because the parameters have been established. Purchasing becomes much more strategic as you are aggregating expenditure; using fewer suppliers to get better costs, quality and services; and improving lead times.

How is procurement evolving as a profession?

There are no degree programmes for procurement; this is something I am trying to change. I am trying to broker a deal with a university in the US. If I am successful, it will be a quantum leap for the profession. Many academics who publish works on procurement don't really understand what it is. They end up digging into logistics instead. Good luck finding a text book that deals with total costs and dives into the behavioural aspects of negotiations—in procurement, the two go together. You cannot teach ne-

Procurement is uniquely positioned to see the costs and understand them. Finance and accounting divisions rarely challenge whether the cost could be something else or whether the company should be buying something else.

gotiations skills, but academia can establish that mental construct and framework can help you understand concepts about strategic procurement, but we don't have that today. You have people with a business, economics, history, geography or political science degree landing in procurement. Anything is game, and I've seen it all. The best case outcome is a business degree, but I want it to get better than that; I want people to get a degree in procurement.

Can strategic procurement apply to governments?

Of course! I've trained 50 chief purchasing officers of the US government, showing them how to get the best advantage from their \$3.2 million budget. I've worked with many state agencies across the US. There are challenges with government procurement.

First, risk-taking is not rewarded, so many officials take the safer route. In the private sector, procurement is rewarded for performing under budget, their purchase decisions leading to savings and growth. But in the public sector, you are virtually reprimanded for performing under budget and allocations are reduced for the next year. At the end of a fiscal cycle, you might find public institutions finding reasons to spend their money. It results in artificial demand, which is extremely unfortunate.

The other problem is that very few government entities are required to make 'best value decisions'. Instead, they are expected to make decisions on the lowest bid, which may not always deliver value for taxpayer money. This model is fraught with problems, and suppliers know how to come in at a lower price and get their money back later in other ways once you're stuck with them.

There are issues with transparency and political corruption. Government entities try to be transparent by publicising the tender process. Typically, corruption takes place where there are review committees within the government.

It's not often that procurement actually makes the decision. They facilitate the decision. They carry the process. They send out the solicitation and gather the bid data, which is then sent to the review committee, sometimes with their recommendations. Either way, the final decision is made by the review committee, which may not have a procurement professional who understands the particular industry and its value chain thoroughly. The same thing may happen in the private sector, where end users convince procurement to ignore bids and accept a specific supplier. ■



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Get On With It! Build Your Brands

Martin Roll, a brand strategist for Fortune 500 companies, discusses how Sri Lankan firms can build great global brands in an uncertain world

Domestic—and global—policy uncertainty is probably at a peak in 2017, but for brand strategist Martin Roll nothing holds back Sri Lankan companies from investing in global brand building.

“Companies have to look beyond politics and not use this as a convenient excuse not to build and manage brands,” says Roll, who visited Sri Lanka in 2016 as keynote speaker at the CA Sri Lanka Strategy Summit. He is the founder and CEO of Martin Roll Company, with more than 25 years of C-suite management experience. Roll is a Senior Advisor to McKinsey & Company and the author of global bestseller ‘Asian Brand Strategy’ and co-author of ‘The Future of Branding’.

In this interview with Abacus, Roll explains how family owned, closely held companies in Sri Lanka enjoy an advantage that can be exploited to build global brands, and suggests 10 steps to follow to build a successful branding strategy and manage its implementation. Excerpts from the interview are as follows:

BRAND STRATEGIST
MARTIN ROLL SAYS
FAMILY OWNED,
CLOSELY HELD
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LANKA ENJOY AN
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CAN BE EXPLOITED



THE QUESTION ABOUT BRAND BUILDING IS NOT ABOUT CAPITAL, BUT ABOUT THE RIGHT MINDSET AMONG THE OWNERS AND CEOs, SAYS MARTIN ROLL

Can companies build global brands, especially in Sri Lanka where policymaking is inconsistent and veering towards protectionism? Do you have examples of smaller companies in challenging economies achieving great things?

A: Companies have to look beyond politics and not use this as a convenient excuse not to build and manage brands. Today, businesses and consumers are placing increasing importance on brands. Brands give consumers a sense of identity, stimulate their senses and enrich their life experiences. People need to affiliate and surround themselves with things they know well, trust and aspire to be. From a customer viewpoint, a brand is a signal of quality and creates a bond of trust with the manufacturer behind it.

Two examples: Starting as a ladies footwear store in Singapore in 1996, brothers Charles and Keith Wong observed that, while selling wholesale shoes provided a cost advantage, the lack of uniqueness meant limited growth. This made them realise the potential of creating a brand that consumers could identify with - leading to the creation

of the Charles & Keith brand. Today, it is well known among fashion-conscious shoppers for their distinctive designs and quick in-season turnaround that offers 20-30 new designs in stores every week. Charles & Keith has expanded its product range to include bags, belts, shades, tech accessories and bracelets, evolving from a footwear brand to a lifestyle brand. The company has expanded in Asia and is branching into global markets.

The TWG Tea Company was founded by Moroccan-born Taha Bouqdib in Singapore in 2007. The 1837 date on its logo marks the beginning of when the island became a trading post for tea, spices and fine epicurean products. The brand is present in 14 countries including Japan, Korea, Hong Kong, China and the UK. In Australia, TWG Tea works with retailers like David Jones, and in the US, the brand has tea counters at Dean & DeLuca.

In my perspective, these two brands could easily have originated in Sri Lanka – you are a tea nation! It is all about the right mindset.

Sri Lanka is on the cusp of an economic take-off, but most companies are playing it safe and boardrooms are mostly risk averse. Why is it important to be a purpose-driven company, and how should boardrooms lead the transformation?

A: Basically I seek to always inspire my clients to be the “most admired” - they must be in a class by themselves, rather than being the largest. It involves a number of parameters that are rarely put into use because of the usual short-term, one-sided focus on increased volumes. This is where I normally challenge my clients. One of my key questions is: What’s your purpose? I challenge my clients to think about what they deeply believe they are best at, what values they stand for and what they actually provide their customers, and more broadly, what they provide to the world around them. They need to define their purpose. If you are driven by a strong purpose and actually meet expectations all the time, then you have a strong chance to become an “admired” company. But it is not a position that comes easily. It requires full attention and hard work over a long period of time and attention to every detail. LEGO’s turnaround is a good example.

Many companies from emerging economies traditionally focused on asset-intensive industries. But it has been demonstrated that

the most profitable emerging market companies focus on intangibles like human capital, exploiting network effects and creating synergies based on brands or reputation, rather than investing in tangible assets.

Asian boardrooms have traditionally been the playing fields for technology and finance professionals, and most directors either have technology, operations or finance backgrounds. Going ahead, these capabilities alone will not be sufficient for sustained growth and enhanced shareholder value. With branding taking the centre stage, it is extremely crucial that the boardroom represents the brand's capabilities and experiences to ensure that brand guardianship is practiced at the highest level.

First, education and training of boardroom directors can bring them up to a common understanding of the discipline, its opportunities and challenges. Second, the company can elevate people with strong marketing and branding backgrounds to the board. Asian brands can indeed challenge global players, but it requires a new mindset, resources and capabilities.

In South Asia, intra-regional trade is beset by bureaucratic hurdles and non-tariff barriers. Must companies wait for policymakers to make trade freer to progress to the next level?

A: There is no need to wait. Companies need to drive ahead, as policies in the end are to be overcome. Think of some of the leading global brands from the West. Some of them also come from regions with hurdles and tariff barriers. It's about working beyond that - not against it.

Policymakers in the US and Europe are more and more vocal on making their economies less open. Should Asia be worried?

A: The coming era will be challenging for all nations, as borders seem to get more protected. Globalisation has had a tremendous impact on many societies, lifted millions out of poverty, empowered women, enabled healthcare to broader segments and brought education to children, to name a few. Nothing is a game changer more than education. Policymakers need to assess what their best choices are as there are always trade opportunities regardless of which region one focuses

on. The role of policymakers in the coming era is to stay agile, adaptable and vigilant to leverage the opportunities that always present themselves.

Typical for its economic size, Sri Lanka has many family owned or closely held listed companies. Can these companies build global brands, especially when raising capital is a challenge?

A: Sri Lanka has huge opportunities for building brands, and taking them regional and global. The question about brand building is not about capital, but about the right mindset among the owners and CEOs. Only then will the true potential be unleashed. Being family owned or closely held is actually a great advantage as the business can take a more long-term approach to value creation and make sure the brand is built by the playbook instead of doing something superficial without a significant impact. It is important for Sri Lankan family enterprises to step up to this challenge and move up the value curve to prepare themselves for the future.

Asian boardrooms have traditionally been the playing fields for technology and finance professionals, and most directors either have technology, operations or finance backgrounds.

What are the typical challenges to building a global brand, and how can they be overcome?

A: The starting point for branding must be the boardroom, which also serves as the most important checkpoint during the project. The CEO must be personally involved in the brand's strategy work, and he/she must be passionate and fully buy into the idea of branding. To ensure success, despite the daily and stressful routine, the CEO must be backed by a strong brand management team of senior contributors who can facilitate continuous development and the integration of a new strategy. As Peter Drucker said, the only two functions of any organisation are innovation and marketing. Irrespective of how innovative a company is, how committed employees are and how competent the top

management is, unless the company connects with the customer, success will be elusive. The top management should constantly evaluate their strategic decisions in the context of customer feedback – what do customers' value and how can they help the company co-create value.

There is a distinct difference between companies, products and services, as customers are aware of real brands with strong brand equity. Therefore, strong brands are more than just trademarks, logos and trade names. Before delving deep into an analysis of branding, it is important to get the branding terminology right. Branding is a widely misused and misunderstood term that is almost clustered onto everything vaguely related to strategy, marketing and communication.

Companies need to drive ahead, as policies in the end are to be overcome. Think of some of the leading global brands from the West. Some of them also come from regions with hurdles and tariff barriers.

Branding is an investment that must be perceived as such and is required to deliver return-on-investment (ROI) and shareholder value like any other feasible business activity. It must appear on the left side of the balance sheet as an intangible asset, and its value is subject to change upwards and potentially downwards.

Can you take us through the steps companies need to take to build a global brand and how performance can be measured?

A: There are 10 crucial steps to follow in building a successful branding strategy and managing its implementation. The steps enable the boardroom to focus on the required areas and serve as checkpoints, which can be tailored to the individual company's specific needs and requirements.

First, the CEO needs to lead the brand strategy work, as I already discussed. Brands are not only, if sometimes at all, built from traditional advertising and promotions, but rather by using a comprehensive range of corporate-wide activities delivered by people

throughout the organisation. Therefore, the crucial balance between brand promise and brand delivery has implications for all company functions, and it becomes a managerial responsibility reaching far beyond the marketing and communications departments. Therefore, branding can no longer be delegated to the mid-level marketing function of a typical Asian organisation. Instead, boardrooms and the CEO must take charge of the brand strategy, lead brand development, manage its implementation, and be fully involved in performance tracking and benchmarking.

The branding process cannot reach its logical conclusion unless the chairman and the CEO buy into it and back it up with the required resources. But merely having branding knowledge will not suffice. Leaders need to have a holistic vision and an in-depth understanding of the discipline. One also has to be an excellent business leader and brand marketer with a truly international edge.

Second, build your own model, as not every model suits all. All companies have their own specific requirements, own sets of business values and a unique way of doing things. Therefore, even the best and most comprehensive branding models have to be tailored to these needs and requirements. Often, only a few but important adjustments are needed to align them with other similar business models and strategies in the company to create a simplified toolbox. Remember that branding is the face of a business strategy, so these two areas must go hand in hand.

Third, involve your stakeholders, including customers. Who knows more about your company than the customers, employees and other stakeholders? This is common sense, but many companies forget these simple and easily accessible sources of valuable information when formulating the branding strategy. A simple rule is to use 5% of the marketing budget for research and at least obtain a fair picture of the current business landscape including the current brand image among stakeholders, brand positioning and any critical paths ahead. Simply, do not forget the valuable voice of your customers in this process.

The fourth step is advancing the corporate vision. The branding strategy is an excellent channel for advancing the corporate vision throughout the company. It allows manage-

ment to involve, educate and align everyone with the corporate's objectives, values and future pathway. It provides a guiding star and leads everyone in the same direction. The internal efforts are at least 50% of making a branding strategy successful.

The next step is exploiting new technology. Modern technology should play a significant part in a successful branding strategy. Technology helps to gain effectiveness and improve the corporation's competitive edge. A well-designed and fully updated Intranet is a must in today's working environment, which has become increasingly virtual, with employees working from home, other locations and travelling across the globe. An Extranet can facilitate a much more seamless integration with strategic partners, suppliers and customers; and avoid time-consuming paperwork and manual handling of many issues. A company website is not only a must, but rather a crucial channel for any modern corporation regardless of its size. If the corporation is not accessible on the Internet, it does not exist!

Empowering people to become brand ambassadors is the sixth step. The most important asset in a corporation is its people. They interact every day with colleagues, customers, suppliers, competitors and industry experts. But they also interact with an impressive number of people totally disconnected to the corporation in the form of family members, friends, former colleagues and many others. Hence, they serve as the corporation's most important brand ambassadors, as word-of-mouth can be extremely valuable and have a great impact on the brand's overall image. The most effective way to turn employees into brand ambassadors is to train everyone adequately in the brand strategy (vision, values and personality) and make sure they fully understand - and believe! - what exactly the corporation aims at being in the minds of its customers and stakeholders. Nike is a brand known for its efforts to educate and empower every employee of the company to be strong brand ambassadors.

The seventh step is creating the right delivery system. The brand is the face of the business strategy - it basically promises what all stakeholders expect from the corporation. Therefore, the delivery of the right products and services with all the implications this entails should be carefully scrutinised and eval-

uated on performance. Think of the cradle-to-grave concept of a lifelong customer and the value he/she will provide in such a time span. Make sure he/she is handled with outstanding care according to internal specifications and outside expectations. The moment of truth is when the brand promise is delivered well, and it does not hurt if the corporation exceeds customer expectations. Singapore Airlines runs a very rigid, detailed and in-depth description of any customer touchpoints with the corporation, and several resources are

Being family owned or closely held is actually a great advantage as the business can take a more long-term approach to value creation and make sure the brand is built by the playbook instead of doing something superficial without a significant impact.

spent on making sure it actually does happen every time to every customer. All employees of Singapore Airlines, regardless of title or rank, spend a significant amount of workdays being trained every year.

This brings us to step number eight: Communicate. Bring the brand to life through a range of well-planned, well-executed marketing activities, and make sure the overall messages are consistent, clear and relevant to the target audiences. Make sure the messages are concise and easy to comprehend. Do not try to communicate every single point from the branding strategy. Instead, a selective approach will make a bigger impact using the same resources.

Nine, measure the brand's performance. A brand must be accountable. How much value does it provide to the corporation and how instrumental is the brand in securing competitiveness? These are some of the questions that need to be answered, which the CEO will automatically seek as part of his/her commitment to run the strategy successfully. Brand equity comprises various individually tailor-made key performance indicators (including the financial brand value) and needs to be tracked regularly. A brand score card can help facilitate an overview of the brand equity and progression as the strategy is implemented.

The tenth step is about relentlessly raising your own bar, all the time. The business landscape is changing almost every day in every industry. Hence, the corporation needs to evaluate and possibly adjust the branding strategy on a regular basis. Obviously, a brand should stay relevant, differentiated and consistent throughout time, so it is a crucial balance. The basic parts of the branding strategy like vision, identity, personality and values are not to be changed often, as they are the basic components. The changes are rather small, and involve the thousands of daily actions and interpersonal behaviours that corporations employ as part of brand marketing efforts. But make sure complacency does not take root in the organisation and affect goal setting. The strong brands are the ones that are driven forward by owners who never get tired of raising their own bars. They become their own change agents and brand champions for great brands.

Branding is an investment that must be perceived as such and is required to deliver return-on-investment (ROI) and shareholder value like any other feasible business activity.

Tell us about your book, *Asian Brand Strategy*. What made you write it and what was its impact?

A: Towards 2020, a rapidly changing landscape will emerge in Asia where opportunities for Asian companies to benefit from international branding efforts will be larger than ever before. The growing emphasis on shareholder value and brand strategy to drive value will move up the boardroom agenda and become one of the most prominent drivers of value in the Asia-Pacific region. Today, there are only a few global Asian brands, but over the coming years, many Asian corporations will change their focus from being backend suppliers to becoming brands themselves.

Asian Brand Strategy offers insights, knowledge and perspectives on Asian brands and branding as a strategic tool; and provides a comprehensive framework for understanding Asian branding strategies and Asian brands, including success stories, challenges for fu-

ture growth and strengths. The book includes theoretical frameworks and models, and up-to-date case studies on Asian brands; it's a must-read for Asian and Western business leaders, as well as anyone interested in the most exciting region in the world.

The book presents the Asian Brand Leadership model, illustrating the paradigm shift Asian brands need to undertake to unleash their potential. There are five changes needed in the Asian boardroom: First is mindsets and practices. The book invites a complete shift in the way Asian boardrooms view branding: from a tactical view to a long-term, strategic perspective, from fragmented marketing activities to totally aligned branding activities, from a vision of branding as the sole responsibility of marketing managers to branding as the most essential function of a firm, and led by the boardroom.

Second, this new perspective must be steeped into a more acute perspective on consumer behavioural patterns. Asia is not a homogenous entity. Even more importantly, Asian countries are more and more traversed by cultural flows permeating the region: Cinema, music and fashion trends that are present extend beyond national borders to capture the imagination of millions. Branding and brands do not operate in a vacuum, but are closely linked to developments in society, people and cultures. Third, managers wanting to succeed in Asia need to abandon the idea of an oriental Asia of the past. Asian consumers are all vying for an Asian type of modernity that has nothing to do with colonial imagery. Fourth, to create iconic brands, Asian managers will have to become trendsetters. The perspective developed in this book is that, in order to be successful, Asian brands need to capture the spirit of the region, but they also need to lead the way by creating that spirit.

Finally, this shift can be achieved only if everybody in the company is convinced by the power of branding, and if all strategies and actions are aligned around the brand. This must be led by the Asian boardroom.

The impact of the book has been quite profound, as it has inspired many business leaders from the East and the West to think differently about their approach to branding. The book is used by many Asian CEOs and business families when they discuss and assess the future direction of the businesses. ■

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Dominic Mcvey

Cracks Stereotypes About Entrepreneurs

The UK-based millionaire shares some insights on how anyone can become an entrepreneur at any age, even accountants

F

ounder and Managing Partner of Ellestone Apparel and Group Board Director of Hela Clothing Dominic McVey cautions against idolising successful business people.

“What does an entrepreneur look like? Don’t look at the stereotypes. In my mind, refugees are as entrepreneurial as anyone. They have the traits - resilience, tenacity and curiosity - to get to where they want to be,” he says.

McVey shared some insights on who and what makes an entrepreneur when delivering the keynote speech titled ‘Breaking Stereotypes - Age is Just a Number’ at CA Sri Lanka’s 37th National Conference of Chartered Accountants 2016 themed ‘Unleashed Thinking: Entrepreneurship and Intrapreneurship’.

McVey made his first million dollars as a teenager by selling collapsible scooters. At 18, the Londoner became the youngest recipient of the title ‘A Pioneer for Britain in Entrepreneurship’ conferred by the Queen. Diversifying his business interests since, the 31-year-old millionaire now wants to make his pet investment, Sri Lankan clothing maker Hela, the Tesla of the global garment industry and share the wealth with his workers.

Many people ask him if entrepreneurs are born or if they become entrepreneurs over time. There is an element of both, he says. “But one thing is certain, we can all be entrepreneurs. It needs practice. We have to fail. We have to learn. It was failure that brought me to Sri Lanka.”

He encouraged accountants to be much more enterprising, if not entrepreneurial. “As accountants, you will clearly see those opportunities entrepreneurs are constantly on the lookout for. In a way, you have the crystal ball, because you know where the money comes from and where it is going, and you write the cheques.”

HELA CLOTHING
DIRECTOR, UK-
BASED MILLIONAIRE
DOMINIC MCVEY
ADDRESSING THE
37TH NATIONAL
CONFERENCE
OF CHARTERED
ACCOUNTANTS OF
SRI LANKA

DOMINIC McVEY
ENTREPRENEUR MISSION



Excerpts of his keynote address are as follows:

Everyday people...

Who is an entrepreneur? It's not the kind of people we read about every day or Mark Zuckerberg in a t-shirt, nor is it Bill Gates in a silk suit: These are the people we are desperate to be. There are many people just looking for a better life, they are entrepreneurs. There is an entrepreneur in all of us. There are people crowded in a boat just looking for a better life in Europe. In the UK, one in seven companies is founded by an immigrant. They come to the UK and around 20% of them start businesses. Many of them go on to employ 14% of the UK workforce. What does an entrepreneur look like? Don't look at the stereotypes. In my mind, refugees are as entrepreneurial as anyone. They have the traits - resilience, tenacity and curiosity - to get to where they want to be.

Entrepreneurs ask a lot of questions; they probably ask too many questions. They ask the stupid questions, the obvious questions and the difficult questions until they get their answer, until the light bulb turns on saying 'Go Forward'.

Entrepreneurs hold the locus of control. They believe they control their own destiny and don't necessarily worry about the circumstances. They roll up their sleeves, crack on and find a solution. We all go through failure as entrepreneurs, and we all see situations in which we can fail. I think we need some luck. There is always an element of 'right place, right time'. Maybe it's destiny, but it's up to each of us to put ourselves in that right place at the right time.

Many people ask me 'Are we born entrepreneurs, or do we become entrepreneurs?' There is an element of both, but one thing is certain, we can all be entrepreneurs. It needs practice. We have to fail. We have to learn.

Failure will take you there...

You can be enterprising in everything you do. You don't necessarily have to be an entrepreneur. Don't let people say it's not possible. I want to give you some examples here, particularly around age.

Colonel Sanders, the founder of KFC, is one of my heroes. He did not make it until he reached 62. He worked in cornfields, and got fired. He worked in a tobacco field, and got fired again. He practiced law and went bust after beating up a client in a courtroom. He

Many people ask me 'Are we born entrepreneurs, or do we become entrepreneurs?' There is an element of both, but one thing is certain, we can all be entrepreneurs. It needs practice. We have to fail. We have to learn.

worked in a coffee shop, sold chicken and opened a fuel station. All of these ventures went bust. He was shot at, and a friend who was with him was mortally wounded. He then set up KFC, which became a global brand. Failures didn't stop him. He was tenacious.

Henry Ford worked in a farm, left school at 16, hit the road and became a mechanic in Detroit. He did not start Ford until he was 40. There are many examples in his life where things went wrong. Chaleo Yoovidha came from an impoverished family in Thailand and had a small pharmaceutical company that just sold health tonics. One of those health tonics turned out to be Redbull. At 61, he made that deal.

Stan Lee cracked it when he was 40. The creator of Spider Man, Thor, the Hulk, X-men and several Marvel characters was planning a career change when he experimented on them. He revolutionised the industry. He gave his characters life: They were no longer flawless, glorified superheroes. They fell in love, got their hearts broken, they had rage and they had a lot of things wrong with them. He spent the next 10 years rewriting his characters. At 39, he was worth \$50 million by selling those characters. He's now one of the richest people in the world.

Failure led to Hela

I came to Sri Lanka because of failure. I acquired a UK-based company called Fielding Group four years ago. That was a big failure. The company owned Hela Clothing, which started operations here in 1991. Fielding employed over 120 people in the UK and I was trying to save it. But I failed and had to let it go; it was the day after one Christmas and I had to let people go. Hela Clothing had 6,000 people employed, and I had to protect their jobs. I shut down Fielding, took my security on the assets in Sri Lanka, and made sure I could protect every one of those employees and that I had a future here with Hela.

I soon realised that there was more potential here, but I also knew it was out of my hands. The business was growing fast. As an entrepreneur, I had to understand every aspect of the clothing business and Hela was the biggest company I had ever had to manage. Until then, the biggest business I managed employed around 60 people; Hela had thousands. I adapted and grew my skills. Today, Hela operates 16 factories in Sri Lanka, an operation in Mexico and is planning for one in Ethiopia. We've got offices in London and New York. One day, we hope to

take Hela public. I can't take Hela to where I want it to be alone. I need the right people, the best; so I started by inviting Dian Gomes to join the company. Since then, both of us share the dream and desire to make Hela a global brand. By taking the company public, we want to share the wealth with all our workers.

An entrepreneur is supposed to inspire, and that's how I see my role in Hela. But how do you get that entrepreneurship into your organisation? One of the things we've done at Hela is incubating young entrepreneurs. I want their entrepreneurial thinking, crazy ideas and illogical concepts - we harvest those minds.

My job is to make our customers more money. We can't do that just with t-shirts; we have to do that by getting into the minds of the businesses and understanding that we're a garments manufacturer, but that we can't do that in isolation. We need engineers and big data scientists.

How much do you think the garment industry is worth? The car industry is worth \$980 billion. How much is the fashion industry worth? The clothing industry is worth \$3 trillion. While the car industry has embraced new technology, the way clothing is made hasn't changed. I want to change that. We are developing new products and machines that will revolutionise the clothing industry. In 2016, we registered seven patents; the previous year, Sri Lanka had just one patent registered. We're pushing the boundaries. We've transformed Hela from a Rs2 billion revenue company into a Rs22 billion firm, and we're growing.

Starting young...

I grew up in East London, in Leytonstone; it was not the most glamorous place 30 years ago. It has started to evolve now, and is a lot better. But when I grew up in Leytonstone, it was very much known as a place for the working class, and Jewish and Asian refugees. These guys started in market stalls in East London. They came from tough backgrounds and humble beginnings, and went on to become some of the world's most successful entrepreneurs of some of the biggest British brands globally, like Tesco.

My father was a drummer at the Royal Shakespeare Company. My parents sent me to a private school. They couldn't actually afford to send me to that school, but they weren't happy with the schools available in the area. I was a little bit quirky and a little bit crazy, so they thought I wouldn't settle in. So my dad

I came to Sri Lanka because of failure. I acquired a UK-based company called Fielding Group four years ago. That was a big failure. The company owned Hela Clothing, which started operations here in 1991.

worked two jobs: He taught drums at schools in the daytime and worked in the Royal Shakespeare Company in the evenings. My mum was a babysitter in the daytime and worked in the bookstore at the Royal Shakespeare Company in the evenings. The problem with that though was that I had to go to work with them, so I had to grow up very, very quickly.

Because my dad travelled often, I got to see and experience parts of the world that none of the kids at my school could. That was priceless. I would be sitting in geography lessons being told about Mount Fuji and the culture of Japan by a geography teacher who's never been to Japan. I was exposed to a lot. The defining point came when I was nine years old. I often travelled alone to join my father, so as a minor I got an economy class seat at the back of British Airways. I was too short to see the projector in the front, and if I stood up the earphone cables were not long enough. Those were frustrating 12-hour flights. But being a minor travelling alone, I had the privilege to sit with the pilot. On my way to the cockpit, I wondered about the men and women in suits at the front lying down and watching TV. I couldn't quite grasp that fact. I couldn't accept the fact that I was at the back of the plane standing up and watching TV, and they were in the front lying down watching TV. So my curiosity got the better of me. I spent days, weeks and every opportunity when I was either in Japan, New York or Sydney walking around trying to understand. Growing up, my idol wasn't a footballer, a cricketer or a pop star. My idol was the plane - it's odd but true. It was a huge drive for me, and at the age of nine, I realised that there are things I want and was going to have to do them by myself. I decided I'm not waiting 30 years to lie down at the front of the plane watching TV. This wasn't about money. I wanted something and I wanted to work out a way to get it.

I came across this product, a fold-up motorised scooter made by a US company called Viza Motors. For a year, I was trying to convince them to let me have one free if I sold five. We went back and forth, but finally they let me have what I wanted. I managed to sell five of these scooters, and to get myself one for free, and I made a profit.

So, how did I get to the stage of selling 11 million scooters? Well, this was done from my bedroom. My financials were run by a guy called Dave, he's my accountant. I used to be the finance guy, the publicist and the market-



er, and it really connected. Five turned into ten, ten turned into twenty, and twenty to a hundred. I'd even got an order from the earlier version of eBay for 300,000 pieces. I was in my bedroom, about 13 years old, and trying to work out 300,000 pieces and how to put them into containers and get them cleared by Customs. The US company had no idea they were dealing with a 12 year old.

Everyone was talking about the product; it was on the news, and you couldn't walk down the street without getting hit by one. I thought it was about time I introduced myself to the owners of Viza Motors. I took a flight to Arizona with my mother, business class, and I paid for it myself. When we landed, one of the owners Ray Junior was there to personally greet Mister McVey, the business partner that brought millions of dollars to his company. "Where's mister McVey?" he asked my mother. "This is Dominic," my mother said, and you should have seen his face. If he was on a chair, he would've fallen off. I was 14 then. By the time I was 18, I was appointed by the Queen as a pioneer in entrepreneurship. I think I am the youngest recipient to this day.

Early, or later?

There are pros and cons to starting young. You don't have many bills to pay. You don't have a mortgage. Hopefully, you don't have kids. You've probably got very little to lose. You don't have a big salary. You live with your parents or probably sharing a flat. You've got fresh think-

As accountants, try and learn as much as you can about other industries. Get involved in other parts of business. If you see the numbers but don't understand the business, you need to have those conversations.

ing, which can give you a different perspective that others more senior may not have (that is not necessarily something you lose as you get older, but certainly something you have when you're younger). You have time to recover, go back to school or start over again. On the negative side, you don't have a credit history, a limited network and little experience.

The pros and cons of starting late are reversed. You have experience, a network, maybe a credit history, you might have savings, you may have already failed and you may have learnt from those failures. You might not have that fresh thinking. You have less time to recover if you fail, you definitely have bills, you have things to lose, and pressures from the family or the wife; there'll always be pressure from someone.

Starting a business young or later, one thing is certain, it's never too late to start.

The skills you bring...

You are everything in your business when you first start. You are the bookkeeper, accountant, salesman and many more. I had to be an export on Customs at 13 to negotiate my way out of high tariffs when importing collapsible scooters from the US to the UK. You have to be prepared to do things you don't know about and learn quickly. Research deep, get to the bottom of issues and understand every aspect of your business. As you grow, you start employing staff, people better than you – always employ people better than you.

Accountants as entrepreneurs

As accountants, try and learn as much as you can about other industries. Get involved in other parts of business. If you see the numbers but don't understand the business, you need to have those conversations. Don't wait for people to come to you. As accountants, you will clearly see those opportunities that entrepreneurs are constantly on the lookout for. In a way, you have the crystal ball because you know where the money comes from and where it is going, and you write the cheques.

You may not know how best to seize an opportunity or fix a problem, but you have the information on what needs to be changed and what can be different. Accountants can engage others to see these opportunities and risks, and come up with fresh ideas around these. You don't have to be an entrepreneur to be enterprising in everything you do. ■

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(Left to right)

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Is There a Rice

Over millennia, protecting rice farmers' lot has been a priority for Sri Lankan rulers. Their place in society was assured because they were the only defence against famine, but they're also trapped

BY **DEVAN DANIEL**



Crisis? Sort Of.





Occupiers two centuries ago and current policymakers, however, failed to understand the relationship of rice growers with the farmland.

Doomsayers imagine a rice crisis. The main Maha season rice crop in 2017 is expected to be down by around 2 million tonnes following a drought the previous year. Less than 30% of the rice land was cultivated. The previous year, Sri Lanka harvested 2.9 million tonnes. The minor Yala season, which was forecast to yield 1.5 million tonnes, will likely be hit as well. But consumers will still have enough rice to eat.

Rice is a globally traded commodity, easily imported from surplus countries. Thailand produces over 25 million tonnes, exporting surplus rice, as its government continues to convince farmers to grow less rice. Sri Lanka reduced

import taxes on a kilo of rice by Rs5. Importers can now buy rice from India for Rs50 and sell here at Rs65. Around 23,000MT of rice has been imported up to end-January 2017.

Sri Lanka has slapped high taxes on rice imports to protect farmers, giving rice millers big profits. Farmers are also given fertilizer subsidies. Wheat flour is taxed, forcing people to eat more rice. If there is a crisis, it won't be a food shortage, but mounting pressure from farmers and nationalists calling to protect a way of life that's losing its relevance and failing to take people out of poverty.

A turn in the weather, dysfunctional crop management and war could precipitate a rice crop crisis and famine. Even European occupiers of Ceylon - amidst their plundering - recognised the central role of rice farming success in rural areas. In 1796, Robert Andrews, Superintendent of Revenue of the British administration governing then Ceylon, proposed radical land reforms. He wanted to lift

‘Ceylonese’ farmers out of poverty. Giving them land and individual titles, he proposed, could achieve this. Andrews, the British administration claimed, had been carried away by ideals and failed to take into account local customs and views on the matter.

For all their faults, the British were concerned about marginal economic opportunities in rural areas. Ceylon was also importing rice from India - during the early years of British occupation - over two centuries ago. The British repaired and made usable many reservoirs after Indian rice prices rose following crop failures. At the turn of the 19th century, Sri Lanka’s exports were limited to commodities (coffee and tea exports were added to the export mix much later), so its ability to pay a higher price was limited. Governor Frederick North, who took office in 1798, later proposed individual property rights for rice farmers, expecting it to lead to greater farm productivity. Like the junior bureaucrat Andrews before him, North also believed improving rural economic opportunities was important for the sustenance of the vast occupied territories.

The British were industrious and wanted to improve the island’s productive capacity. They later invested in export agriculture like coffee and tea, however, their focus on improving rice farming productivity was to keep the population fed. Even for an occupier, the prospect of famine was a scary one.

Most parts of the Indian subcontinent were under British occupation at the time.

Occupiers two centuries ago and current policymakers, however, failed to understand the relationship of rice growers with the farmland. Frederick North’s attempt to survey the extent of rice paddies and their ownership failed because many farmers considered land a communal holding. This is because rice farmers relied on man-made reservoirs being shared by everyone downstream to grow their crops. When water was scarce due to drought or flood, farmer communities had developed a complex system to share the limited arable land. As a result, many rice farmers were unable to clearly identify their land holdings when Frederick North’s surveyors met them. Rice is a semi aquatic crop for which ideal growing conditions have been simulated by Sri Lanka’s reservoir and irrigation system. Water is scarce everywhere, and Sri Lanka’s dry zone is the area best suited for rice farming. Rice is around three times more water intensive than other cereals.

However, most of this water is used for leveling the paddies.

It’s most successfully grown in Asian river deltas where water year round makes it possible to grow three crops. More than 70% of Sri Lanka’s rice acreage receive water from one of 10,000 small and large reservoirs, and grow two annual crops. The other 30% of rice paddies are rain fed and mostly grow one crop a year. A rice crop takes four months to grow, which includes a one and a half month period for *aswaddumizing* and harvesting. Rice farmers don’t have much work the rest of the time.

Sri Lanka’s main growing season is Maha, when all paddies are *aswaddumized*. Because water is scarce, crop from the second season called Yala is a third smaller. During four months, between seasons, all rice farms run fallow and farmers have no work.

Over the centuries, policymakers have somehow mistakenly concluded that granting outright land ownership is the most effective way of lifting rice farmers out of poverty, but it is not the most pressing need. There are three other challenges that need to be addressed first.

In the vast swathes irrigated by the Minneriya reservoir in Sri Lanka’s North Central province, paddy fields shine emerald with just weeks to go before harvesting ahead of the mid-April traditional new year. Soon, the community will come together in this timeless activity embedded in the Sri Lankan psyche.

Rice farmers are celebrated because they grow a crop that has singularly stood between people and famine for centuries.

Rice farmers are celebrated because they grow a crop that has singularly stood between people and famine for centuries. As many as 897,000 separate land plots growing rice existed according to a census department farming survey in 2002. There aren’t as many vegetable and fruit farmers, although that sector of agriculture adds more than twice the economic value as do rice farmers.

Almost 800,000 hectares were planted with rice in 2013 compared to 370,000 of other field crops and vegetables (includes cereals, fruits and vegetables, but excluding tea, rubber and coconut).

The importance of rice farming is declining rapidly from 2% of GDP 12 years ago (2002) to 1.2% in 2014.

Rice fortunes impact many families in some of Sri Lanka's poorest districts like Ampara, Kurunegala, Polonnaruwa and Anuradhapura, where over half the crop is grown.

Second, because of the long history of rice growing and Sri Lanka's phenomenal record

When Sri Lanka introduces higher quality seeds and better farming practices become widespread, its crop will be more than the country can consume.

of innovation around reservoir-irrigated agriculture, the crop is associated with a period in the island's history when it was a global leader. Every fifth grader knows this history, and a problem for farmers or a shortage of affordable rice quickly inflames national sentiment.

However, this romanticised notion about rice farming is also an important reason for holding back the entire sector. A rice farming recovery that started during the British occupation accelerated after independence and yields have since tripled. Sri Lanka now grows as much rice as it can consume.

In isolation, these gains look impressive, and growing rice is often analysed with an insular view because of the romanticised notion of rice self-sufficiency being an important achievement. Sri Lanka may have had been a pioneer and innovator in rice farming in the past, but today it is a laggard.

The contribution of rice farming to the economy is falling because farmers are unproductive. Productivity is relative and growing two crops a year when plentiful work is limited to three months isn't good enough anymore. Non-rice farmers work year round, as does everybody with a full-time job.

Activist and farmer M K Jayatissa says that a farmer spared by drought and flood during a year can expect to earn Rs180,000 in profit off a typical size paddy holding of around a hectare (1-hectare = 2.5-acres). Sri Lanka's per capita income is Rs480,000 annually, leaving

venerated rice farmers, eulogised by history, in extreme poverty. Educated young people don't opt to become farmers anymore. The young are rejecting the vocation, and not only because of its unattractive earning potential.

"Farmers don't spend as much time in the rice field," admits Jayatissa, offering an uncanny glimpse to their lifestyle. "They are usually chatting at the village boutique or meeting alongside small bridges spanning irrigation canals."

Because of the venerated position associated with rice farming, no one would discuss the low productivity in small farms. At most, farmers have 90 days of hard work each year due to the seasonality of rice farming and limited water availability. The debate about farmer productivity is intertwined with passion. Politician, Southern Province Governor and agriculture activist Hemakumara Nanayakkara says farmers abandon rice because it's not profitable enough and due to the drudgery of the work.

Rice farming is challenged at many levels and poverty is just a symptom of those challenges. Productivity here is lower than those of other successful rice producers like Thailand because rice strains used here tend to be low or middling quality - in contrast to premium ones used elsewhere. Rice yields per hectare climbed from 1.58 tons in 1952 to 4.3 tons per hectare by 2012. Yield gains of around 1.75% a year till about the late 1990s' were only enough to keep up with population growth.

In other parts of Asia, average yields are five to six tons - or 25-50% higher than those achieved here. When Sri Lanka introduces higher quality seeds and better farming practices become widespread, its crop will be more than the country can consume.

Jayatissa - whose lifetime in the fields has yielded neither wealth nor a comfortable retirement - echoes widespread dissatisfaction about the declining status of rice farmers. "Public sector workers have job security, a pension and benefits," he points out. "We feed the nation, but receive nothing."

However, government and private sector workers - even after discounting annual leave - will spend 220 days at their office desks every year. Unlike rice farmers who expect government bailouts for drought and flood risks, all other citizens plan to pay for their



contingencies.

Elsewhere in the world, farming small plots isn't productive - even when there is enough water for three crops. However, farmers have developed a simple solution for this. In major rice exporting markets like Thailand, farmers simply have a second job like driving a taxi. They work the fields during sowing and harvesting. Sometimes, even these are outsourced and farmers turn up just to supervise the work.

Despite the whining, Jayatissa's circumstances aren't desperate either. His wife is a career public servant at provincial level and, of their children, one's a teacher and another is employed in a farm in South Korea. His youngest son is loath to taking over the farm from the father and is keen to become a chef.

Rice farmers' low incomes force them to the margins of society. Their low incomes also require the government to intervene because rice farmers themselves can't absorb a shock like a crop failure. Floods and droughts are annual

occurrences and frequently destroy some rice crops.

"There is no point in farming," Jayatissa says. "If our crop fails, we don't receive adequate compensation. If there is a surplus and prices fall, there is no protection either," he says. Because rice farmers see themselves as a special class of agriculture entrepreneurs, they make demands, like those made by Jayatissa, which would seem absurd if they came from any other Sri Lankan industry.

Farmers are victims of their own lack of enterprise. It's a double whammy because their indolence scuttles opportunity for an exploration of other opportunities while they continue to farm. As Sri Lankan culture venerates them, a broader debate about low rice farm productivity will lack objectivity and be immediately mired in an emotion backlash.

Although it's not possible to grow tea in rice paddy fields, smallholders in that sector are showing that an alternative model can work



well. Tea smallholders often have full-time employment elsewhere and manage their backyard tea plantations part-time. Smallholders account for 70% of the tea crop and have earnings topping Rs450, 000 an acre, more than double of rice's achievement.

Challenging low productivity and an unenterprising attitude towards their circumstances isn't straightforward. However, without an open discussion about their coddled status, it would be difficult to start addressing the sector's challenges.

Second, government policy panders to rice farmers - an important vote base. An agriculture survey estimates that almost 900,000, mostly small plots, grow the crop. Ninety two percent of the country's rice is produced in fields of less than five hectares in extent.

Under a new scheme announced in the 2015 budget in January, the government will buy rice direct from farmers at almost twice the normal market price: Rs50 a kilo. This will benefit small scale farmers in some of Sri Lanka's poorest districts, and key constituencies are swayed by the fortunes of one crop.

In the past, such schemes have purchased around 10% of the total crop. The main growing season for the Maha harvest is now available for sale. The government hasn't announced how much of the harvest it will purchase. The Maha crop is estimated to be 19% higher compared to

2014's drought-reduced crop weighing in at over 2.7 million tonnes or 2.7 billion kilos (in unprocessed form). Farmers will be eager to sell to the government, which will have to stockpile the commodity.

What may appear a bounty for farmers will be disastrous for the sector over the long term. Interventionist policies have distorted rice production for decades. Interventions have ranged from subsidised rice for families, free-of-cost irrigation, subsidised fertilizer and higher-than-market-guaranteed prices. The non-transparent government's rice-buying binge risks further distortion of the market.

Market-distorting interventions have isolated the sector as probably the only one to not see private investment. Sri Lanka's export agriculture sectors tea and rubber, and field crops like cereals, vegetables and fruit all receive private investment. Investors demand higher risk premiums for entering sectors where government intervention distorts markets. Rice is a classic example of this, and intervention has also made prices more volatile and markets thinner.

High domestic prices are also bad for the economy and impose heavy costs on consumers. In a country where one in five children is malnourished and anemia is widely prevalent, policies that push food prices up are counter productive.

Competition also fosters innovation and the push for faster, better and more productive techniques. Intervention achieves the opposite by blunting entrepreneurship and reducing farmer incentives to invest in new machinery. It will also drive wages up and reduce the competitiveness of other industries, because too much labor may stick with rice.

Policymakers in the past have mistakenly concluded that fuzzy land title laws somehow contributed to poverty among rice farmers. There is no evidence that this is absolutely the case, although some freedom around land could do the sector and the country a whole lot of good. This is the third challenge facing the sector. In 2003, the government proposed a Land Ownership Bill to liberalise the land market by removing restrictions on land grants to rice farmers.

Farmer cooperatives and pro-farmer groups objected, contending that this would allow the private sector to displace farmers. The Supreme Court squashed the proposed act on the grounds that it threatened the way of life of rice farmers. Vast swathes of land ended up with the government because the British usurped them through

the Crown Land Ordinance of 1840. Large tracts in the wet zone (Western and Central mountainous regions) acquired were then sold to Europeans, creating the plantations economy.

A century after Governor Frederick North proposed individual property rights for rice farmers, the British land policy is now the polar opposite. In 1897, a harsh Waste Land Ordinance was introduced, which displaced many peasant farmers from their lands because they could not prove ownership. When the British colonised occupied Ceylon, farmers held land in commune, and attempts to survey and establish ownership proved futile because there weren't enough officials to conduct the survey and local reticence towards invaders.

Since independence, governments have been granting a limited title to small plots of fertile land around Sri Lanka's reservoirs. These grants have stopped short of awarding complete property rights because those upstream first receives water from the reservoir, which they release to those downstream. Limited property rights don't allow other crops to be grown instead of rice or for the land to be sold.

Rice farmers have seen a remarkable transformation of their industry over the past 50 years because yields have tripled. In just the last decade, mechanization has been leading the transformation. Buffalos pulling a yoke - the only way previously to prepare soil for planting - is now a rare sight. Tractors have taken over and when the crop is ready, combined harvesters do the job. Farmers don't do as much physical labor as they used to.

Advocates of land reforms presented two arguments. First, that larger farms would lend themselves to mechanizations, unlocking greater productivity; and second, that private sector investment would be attractive. Policy-makers making these pronouncements were admiring the astonishing scale of farming in the US and thought that model could work here. However, something just as interesting was happening in Asian paddy fields over the past few decades, where, like in Sri Lanka, rice farms are small holdings.

Even in small plots, mechanization has completely transformed farming, because families would rent the machinery by the day or hour when they needed it. Machines have taken over at every smallholding where there

is a labour shortage or when a farmer is unwilling to be knee deep in mud. Elsewhere in Asia, mechanization has also enabled farmers to hold a job in the city. As a result, farmers have been able to keep pace with the change without having to create huge farms.

However, the land use policy, as it relates to rice, is still messed up in ways that impact society negatively. Agriculture is governed by 39 laws and over 60 state institutions that enforce them. "The confusion has resulted in people opting to do as they please with their rice lands," says Dr Parakrama Samaratunga, a former Department of Agriculture official and current Fellow of economic policy think tank Institute of Policy Studies. A huge informal market has sprung up. Although they are not supposed to, farmers rent their rice paddies so others could farm, earning a rent. Although they don't have full title, they have devised systems to use the land as collateral to obtain loans.

With investments picking up in the Western Province, demand for space to locate factories, buildings and roads are rising. When complex irrigation isn't compromised - as is the case in many wet zone paddy lands - the system should consider how they could be put to more productive use.

With investments picking up in the Western Province, demand for space to locate factories, buildings and roads are rising. When complex irrigation isn't compromised - as is the case in many wet zone paddy lands - the system should consider how they could be put to more productive use. Many wet zone rain-fed rice fields are fallow. It may make no sense to deny businesses space to build factories and for people to have residences closer to main cities and protect paddies.

Land reforms have thus far focused on avoiding famine and protecting livelihoods. But now they seem to have outlived their usefulness. Already, a crucial window for reforms has passed since the liberalisation of the economy and another window will soon close when the services sector grows from the equivalent of 58% of GDP, creating better opportunities than rice farming offers now. ■

Zürich:

A top-of-the-world

Zürich is so much more than gnomes
and secret bank accounts



experience

Known throughout the world for its banks, the financial capital of Switzerland is one of the world's top three best in which to live, in addition to being one of the finest for sightseeing. It combines the hyper convenience of a 21st century city with the idiosyncratic charm of a middle ages trading town and splendid natural chocolate box townscapes, mountain landscapes and lakescapes.





THE LANDMARK DOUBLE TOWERS OF THE GROSSMÜNSTER (GREAT MINSTER) WERE BUILT BY THE EMPEROR CHARLEMAGNE ON THE GRAVES OF ST FELIX AND ST REGULUS

▶ The Old Town

As medieval cities go, the preserved town centre of Zürich is one of the best. The streets of the Altstadt (Old Town) are closed to road traffic and the twisted lanes provide plenty of pedestrian pleasure. The landmark double towers of the Grossmünster (Great Minster) were built by the Emperor Charlemagne on the graves of St Felix and St Regulus, the patrons of the city. Worth seeing are the renaissance Guild Houses, the famous Chagall and Giacometti Stained Glass Windows at the 9th century Fraumünster-Church, and the biggest clock-face in Europe on St. Peter's church. The area features restaurants and shops, and is one of the main shopping and entertainment centres of Europe.

▶ Museums and Culture

Zürich might seem a bit of a cultural backwater, but it is not. From its loins sprang modern Dada art and a revolt against the art establishment that changed the face of modern culture. Dada began at the Cabaret Voltaire, which

The Kunsthaus Museum houses art dating from the medieval period to the present, including Impressionism, Dada, Cubism, Expressionism and Pop Art. It holds the biggest Edvard Munch collection outside Norway.

continues as a living icon. At the other end of the cultural spectrum, although not far away, is the Zürich Opera House.

The Kunsthaus Museum houses art dating from the medieval period to the present, including Impressionism, Dada, Cubism, Expressionism and Pop Art. It holds the biggest Edvard Munch collection outside Norway. The Beyer Clock and Watch Museum has one of the largest private collections of chronometers, spanning 3,400 years, especially significant in a country famed for watchmakers.

▶ The Industrial City

Zürich West, bounded on the south by the Limmat, is served by Zürich Hardbrücke railway station. In the late 19th century, entrepreneurs discovered the advantages of the railway line in close proximity to the riverine water- and power-source. Here sprang up the large factories of Switzerland's niche-based manufacturing sector, making everything from paddle boats, which still ply the Zürichsee, to soap. Only a few factories

remain, such as the MAN machine plant and the incinerator. The others closed down after 1980 as corporates moved their operations out to more economic locations.

Today, Zürich West has been gentrified and reborn as an artistic and cultural quarter. Plant and machinery have been replaced by residential towers, beer gardens, restaurants and shops; factory noise by music and art. Near Hardbrücke station is Zürich's tallest skyscraper, the 36-storey Prime Tower, built on the site of the Maag Zahn-räder gear-wheel factory. Also on the Maag site is the Maag Halle, a theatre of performing arts. The old Railway Viaduct was used to transport coal for industry. Today, its arches have been converted into a unique lifestyle shopping centre featuring studios, delis, shops, cafes and restaurants. Zürich West is also host to nightclubs and bars.

▶ **Limmat and Zürichsee**

During the civil conflict in Sri Lanka, many thousands of conflict-affected people fled to Switzerland, congregating mainly in Zürich. The people of Basel, which has a long rivalry with Zürich, began joking that there were so many Tamils in the latter city that even its river, the Limmat, was "Tamil" written backwards. This anecdote illustrates how central the Limatt is to the Zurich identity. In the pre-modern period, it was the artery that connected the commerce of Zürich to the River Rhine, the principal trade channel of Central Europe. Today, however, navigation is prevented by a hydro-electric plant downstream. A boat ride can be a relaxed way of getting to see the city centre. Alternatively, a stroll down the riverside promenade, the Limmatquai, allows one to see some of the sights as well as observe the river. The Zürichsee, the lake from which the Limmat flows, is the core around which the city's dormitory suburbs expanded. The best way to



RIVER BOAT ON THE LIMMAT RIVER IN ZÜRICH

see the lake and its surroundings is by lake boat. Over a dozen vessels, several of them paddle boats, offer scheduled and unscheduled cruises, including food and entertainment.

▶ **Seedamm and Archaeological Sites**

At the upper end of the Zürichsee, at its narrowest point, there is a partly-artificial causeway and bridge, the Seedamm. This originated in 16th BC wooden pedestrian bridge, the piles of which still exist, 3-4 metres underwater. Wooden bridges were built here in the millennia following, connecting Rapperswil with the island of Hurden, until the last was broken up in 1878 after the construction of the modern stone dam and bridges of the Seedamm. In 2001, the medieval bridge, the Holzbrücke Rapperswil-Hurden was reconstructed. On a small island, connected to the bridge, the mediaeval Heilig Hüsli bridge chapel can be found.

Neighbouring the bridge are several UNESCO World Heritage Prehistoric pile-dwelling settlement sites. The most important of them is probably the one to be found on what was previously an island, the Rapperswil-Jona-Technikum site, where are to be found the remains of a Prehistoric stilt-house village dating back to 17th century BC.

▶ **Eating and Drinking**

Switzerland is renowned for its varied cuisine, a mix of German, French, Italian and Alpine dishes. The national dish is Fondue, a melted cheese dip for bread. Another traditional Swiss dish is Raclette, grilled and melted cheese eaten with boiled potatoes and gherkins. The nation is divided between those who eat and those who don't eat Rösti, a fried grated potato dish. Zürich,

THE NATIONAL DISH IS FONDUE, A MELTED CHEESE DIP FOR BREAD



which abounds with eating places, is (fortunately) in the Rösti Zone. The city's speciality is Zürcher Geschnetzeltes, mushrooms and sautéed veal, served with creamy sauce and rösti.

The traditional Swiss breakfast is Müesli, eaten soaked in milk like porridge, not as a brittle cornflake-substitute. And not to be missed are Swiss Chocolates, some of the best in the world. At Kilchberg, beside the Zürichsee, is the Lindt Chocolate Shop, adjacent to the company's headquarters. The emperors of chocolates are Sprüngli Troufes de Jour, chocolate truffles, which can be bought at the Confiserie Sprüngli, near ZHB. The shop specialises in Luxemburgerli macaroons.

The Swiss drink beer and wine promiscuously. Autumn and Winter are the times for drinking beer, two-thirds of the market for which is controlled by large corporate beers. Character is provided by craft beers from small breweries, which are (unfortunately) getting fewer by the year.

Viewing Zürich

One of the best ways to see Zürich is from above, and the hilly nature of the city's surroundings helps a lot. There are several alternative transport methods for getting to good views, the means themselves providing some of the best vistas on the way up or down. Exemplifying this is the Aldiswil-Felsenegg Cable Way, a cable-car route up to Felsenegg to the South West of the city, the look out of which provides a wonderful panorama. Üetliberg is the terminus of the Üetliberg Railway. The mountain boasts two towers, the Üetliberg TV Tower and the Look Out Tower, which gives a fantastic panorama of the Alps, as well as a bird's eye view of Zürich itself. At the very heart of the metropolis, the Polybahn funicular connects Central Square to ETH Zürich, the Swiss Federal Technology Institute, at



AN OVERHEAD CABLE CAR AGAINST THE SKY ON A SUNNY DAY

NEAR HARDBRÜCKE STATION IS ZÜRICH'S TALLEST SKYSCRAPER, THE 36-STORY PRIME TOWER, BUILT ON THE SITE OF THE MAAG ZAHNRÄDER GEAR-WHEEL FACTORY



which Albert Einstein received his doctorate. The Rigiblick funicular, located on the Zürichberg hill just north-east of the city centre, gets its name from the view (blick) of Mt Rigi - itself known as the "Queen of the Mountains". In the northern suburbs, the 1.3 km Dolderbahn rack railway connects Römerhof to the Dolder Grand Hotel and recreation area on Adlisberg Mountain. All these assorted railways and cable ways are accessible to public transport, with a maximum 10-minute walk.

Getting About

Zürich has an unrivalled public transport system, with bus, trolleybus, tram (S-bahn) and train services covering most of the city, in addition to lake boat services, funicular and rack railways, and cableways. One does not really require a car in the city and its surroundings, as everything is accessible within range of a short walk from a public transport halt. All travel in Zürich and the surrounding area can be done with one ticket. A one-day or three-day Zürich Card is a good way to get around, also giving one access to unlimited travel on the transport network, as well as free or reduced admission to the museums, reduced-price city tours, access to cultural and leisure activities, and discounts at shops.

Zürich Hauptbahnhof (ZHB) or Main Station is the largest railway station in Switzerland, and one of the busiest in the world. It is a major hub for train services from neighbouring countries, as well as for local services. The trip from ZHB to Zürich Kloten Airport, Switzerland's largest international airport served by flights from all over the world, takes just eight minutes. ■

MUST HAVES FOR FITNESS FANATICS

SPORTS-SPECIFIC SMART WATCHES TAKE THE ACTIVITY TRACKING CRAZE A FEW NOTCHES UP. THESE ONES ARE AVAILABLE IN SRI LANKA

Fitness tracking devices targeting amateur enthusiasts – counting the steps walked, calories burned and hours slept – have been in the market for some years. Popular fitness tracking products by Fitbit, Nike and Jawbone have found a growing market of enthusiasts over the past few years. However, some people – because they are hard-core sports fanatics or due to an obsession

with data – won't find a toy like fitness tracking devices adequate. That's the market catered to by the smart sports watch industry. Smart watches specialised around sports or functions are efficient and far more rugged than basic activity trackers. In Sri Lanka, a range of top brands are now available targeting most outdoor activity including scuba diving, marathons and triathlons.



Suunto Ambit3

Suunto's first Bluetooth Smart-compatible Ambit3 collection comes in two models – Ambit3 Peak for adventure seekers and Ambit3 Sport for runners.

Suunto has its own Movescount App that syncs to the sports watch to capture daily activity and workouts. The unit's Bluetooth capability allows social media notifications and messages to be displayed on its screen, although users have complained online about patchy Bluetooth performance. The Suunto Ambit3 Peak (Sapphire) is GPS-enabled, and has outdoor and multisport functions like navigation,

storm alarms and a 50-hour battery life. The Ambit3 Sport (Blue) features run, cycle and swim options for tri-athletes. The watches also come packaged with a heart rate monitor that is strapped across the chest.

Available at
Glory Swim Shop



Garmin Forerunner 310XT

Triathlons are catching on in Sri Lanka like the Ironman. The challenge with activity tracking triathlons is the combination of three different sports. Wristwatch leviathan Garmin Forerunner 310XT is built for seamless performance tracking of swimming, cycling and running. Its defining features include GPS tracking and a heart rate monitor that also works in water. The 310XT uses ANT+, a wireless technology standard that allows your monitoring devices (like the heart rate monitor



strapped around the chest) to communicate. An ANT+ heart rate strap can send data to a watch, phone or computer that is ANT+ enabled.

Available at Techninnovators

Samsung Gear S

Recall the scene when Knight Rider speaks in to his wristwatch to communicate with his car? The Samsung Gear S is a step in that general direction. This wristwatch is also the odd one out in this selection because it isn't a sports-specific smart watch.

Samsung has basically put everything that needs a glance at the phone to deal with on to a watch face. Using 3G, Wi-fi and Bluetooth connectivity, the Gear S lets calls be made and answered, and sends messages using its tiny onscreen keyboard.

The all-round Gear S helps the fitness addict with GPS tracking and its S Health system.

Widely available



Suunto DX

Suunto's DX range claims to be the world's first watch-sized rebreather-compatible dive computer. Rebreathers re-circulate the air already used by the diver by replacing oxygen used by the diver and removing the carbon dioxide. This watch is specifically designed for open circuit and rebreather divers. Combined with the new Suunto Fused RGBM, it calculates decompression and provides information about how the body is coping with the dive. The DX range also

looks good. The Suunto DX Silver Titanium is for flashy divers, while the Suunto DX Black Titanium looks like something that could have belonged to Batman. The range also has the Suunto DX Silver Elastomer, made of premium material including a titanium case and sapphire crystal glass. Elastomer is just a refined word for rubber, and the straps can be stretched without breaking.

Available at
Glory Swim Shop

Update

Eminent Chartered Accountants Tissa Bandaranayake and Ajit Jayaratne inducted to CA Sri Lanka Hall of Fame

CA Sri Lanka recently paid tribute to two eminent Chartered Accountants by inducting them to the CA Sri Lanka Hall of Fame in recognition of their exemplary contribution towards the development of the accounting profession, the business world and the country. Well-known accounting personalities Tissa Kumara Bandaranayake and Ajit Mahendra De Silva Jayaratne were inducted to the Hall of Fame for the year 2016 at a ceremony held at BMICH, Colombo.

Mr. Bandaranayake, a fellow member of CA Sri Lanka, is a highly respected accounting professional in the country who has served across top organisations within a span of many decades, including that of Senior Partner at Ernst & Young (Sri Lanka) where he served for 27 years until his retirement in 2009.

He has held top management positions, having served on the Board of Directors of Brown & Co PLC, Harishchandra Mills PLC, Overseas Realty (Ceylon) Ltd., Renuka Holdings PLC, LAUGFS Gas PLC, Nawaloka Hospitals PLC, Samson International PLC, Waters Edge Ltd., Micro Holdings Pvt Ltd. and Renuka Foods PLC. Prior to these positions, he served as an Independent Non-Executive Director of DFCC Bank and as a Senior Independent

Non-Executive Director of Central Finance Co. PLC. He also served as a Director at Lanka Ceramic Ltd, Lanka Tiles Ltd, Noritake Lanka Porcelain (Pvt) Ltd, Lanka Walltile Ltd and Hayleys Photoprint (Pvt) Ltd.

As an illustrious accounting professional, Mr. Bandaranayake also gave his time towards developing the accounting profession by serving in various committees at CA Sri Lanka over the years. He has served as a member of the Research & Development Committee, Auditing Standards Committee, Accounting Standards Committee, Taxation Committee, Strategic Review, Policy Planning & International Relationships Committee, Continuing Professional Education Committee and the Ethics Committee.

He also served as the Chairman of the Audit and

Well-known accounting personalities Tissa Kumara Bandaranayake and Ajit Mahendra De Silva Jayaratne were inducted to CA Sri Lanka's Hall of Fame for the year 2016.



Assurance Committee, and the Audit Faculty; and currently serves as Chairman of the Quality Assurance Board of CA Sri Lanka.

Mr. Jayaratne is a fellow member of the institute who has played a remarkable role in both the public and private sectors in the country, and currently serves as Chairman of both Kia Motors and Colonial Motors.

He is also a non-executive director to 10 public listed companies including Overseas Realty, Colombo Fort Land & Building Co, ACL Cables, C. W. Mackie and Kotagala Plantations, and serves as Chairman of the audit committees to most of these companies.

During his early days in Sri Lanka, Mr. Jayaratne worked at Ford Rhodes Thornton & Co, now known as KPMG, and joined Forbes & Walker Ltd as an Account-

ant, where he progressed to become a Director and then Chairman of the company. He also served as Chairman of the Ceylon Chamber of Commerce and the Colombo Stock Exchange. It was during his tenure as Chairman of the Colombo Stock Exchange that the much heralded Central Depository System was initiated.

Mr. Jayaratne was also appointed by former President J. R. Jayewardene as the first Chairman of the Finance Commission from 1988 to 1996. Subsequently, as a result of his significant contribution to the private sector and the stock market in particular, former President Ranasinghe Premadasa conferred the title of Deshabandu on Mr Jayaratne.

He also served as Sri Lanka's High Commissioner to Singapore and Sri Lanka's Ambassador to Brunei. ■

Update

CA Sri Lanka confers ACA designation to 318 new Chartered Accountants



The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) recently conferred the distinguished Associate Chartered Accountants (ACA) designation to 318 new chartered accountants at its 2016 Annual Convocation.

The convocation was held under the patronage of Group Director of MAS Holdings Timothy Speldewinde and President of CA Sri Lanka Lasantha Wickremasinghe.

Joining a fraternity of over 5,100 existing members, the new members being granted associate membership also

signifies the completion of their globally recognised professional qualification in chartered accounting.

Addressing the new members, Lasantha Wickremasinghe underscored the importance of adhering to ethics when discharging their professional duties.

“Being a professional is a privilege, and it will bring challenges and rewards. Above all, being a professional is a responsibility and one must execute one’s responsibilities diligently and ethically.”

Joining a fraternity of over 5,100 existing members, the new members being granted associate membership also signifies the completion of their globally recognised professional qualification.

Mr Wickremasinghe said that the success of the profession depends on the respect that chartered accountants receive. He said CA Sri Lanka members are in demand because they are good at what they do and because they discharge their duties ethically and respectfully.

In his congratulatory message, Mr Speldewinde said that the CA Sri Lanka qualification will open doors to new vistas and give new members the confidence to embrace the journey with all its opportunities and challenges. ■

Nine leading companies come onboard as CA Sri Lanka Training Partners

Nine leading companies came onboard recently as Training Partners of CA Sri Lanka, representing diverse sectors and boosting the institute's training partner portfolio, which currently comprises over 700 organisations from the public and private sectors.

Stafford Motor Co (Pvt) Ltd., Lankem Ceylon PLC, Maga Neguma Road Construction Equipment Co (Pvt) Ltd., Araliya Group of Companies, PE Plus (Pvt) Ltd., International Cosmetics (Pvt) Ltd., Anverally & Sons (Pvt) Ltd., Nexia BPO (Pvt) Ltd., and St. Anthony's Industries Group (Pvt) Ltd were recognised recently at an event held at the institute. Training partner recognition certificates were handed over to the respective companies by CA Sri Lanka Vice President Jagath Perera in the presence of Dulitha Perera, chairman of the Student Training & Development Committee, and



Aruna Alwis, chief executive officer of CA Sri Lanka.

The three-year practical training is an integral part of the institute's study programme, and the institute believes that these partnerships will benefit its trainees and the accounting profession as a whole. As a training partner, the organisation provides practical training, which assists in the long-term development of a Chartered Accountant who goes on to play a highly

responsible role heading both the public and private sectors apart from the professional's core finance function. CA Sri Lanka President Lasantha Wickremasinghe appreciated the role played by training partners, stating that their dynamic role has helped produce versatile chartered accountants. "A globally sought-after chartered accountant is nurtured, and while many of them have inbuilt talent, training partners help

them harness their talents, which contributes to them becoming a unique breed of professionals who steer businesses across all sectors both locally and overseas." Mr. Perera said that the training partners have undoubtedly contributed towards producing exceptionally talented chartered accountants.

"It is the training component of the qualification that helps our members enhance their skills and become globally sought after," he added. ■

CA Sri Lanka hosts 45th SAFA Board Meeting in Colombo

CA Sri Lanka recently hosted the 45th Board Meeting of the South Asian Federation of Accountants (SAFA) in Colombo. The meeting comprised delegations representing accounting bodies from Sri Lanka, India, Pakistan, Bangladesh and Nepal, while observer status was given to Afghanistan, the Maldives and Bhutan, with delegates from the Auditor General's Office in the Maldives and Afghanistan's Ministry of Finance also in attendance. Delegates representing the Enterprise

Financial Management Association of China also attended the high-level regional meeting.

Founded in 1984, SAFA is a forum of professional accounting bodies in the South Asian Association of Regional Cooperation (SAARC) region. SAFA, an apex body of SAARC, works in the public interest towards ensuring broad economic development in the region by promoting accounting standards and practices. CA Sri Lanka is a founder member of SAFA. ■



Update

CA Sri Lanka President says new audit report will improve transparency in financial reporting

In keeping with continuing efforts to ensure that the country is in line with international standards, CA Sri Lanka has taken steps to implement the new audit report from March 2018.

The new audit report by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) has been designed to enhance auditor's reports for investors and other users of financial statements.

President of CA Sri Lanka Lasantha Wickremasinghe said the new and improved auditor's report will enhance transparency in financial reporting. He said the changes will substantively impact auditors' reporting, and there would be anticipated benefits.

"There will be many benefits in the new audit report, such as enhanced communication between auditors and investors, as well as those charged with corporate governance, increased user confidence in audit reports and financial statements, increased transparency, audit quality, enhanced information value, increased attention by management and financial statement preparers to disclosures referencing the auditor's report, renewed auditor focus on matters to be reported that could result in an increase in professional skepticism, and enhanced financial reporting in the public interest, all of which



mean that the improved auditor's report will enhance transparency in financial reporting as a whole," Mr. Wickremasinghe said.

He added that increasing the communicative value of the auditor's report is critical to the perceived value of the financial statement audit.

The improved auditor's reporting, through new and revised auditing standards, increases transparency and confidence in audit and financial statements.

The improved auditor's reporting, through new and revised auditing standards, increases transparency and confidence in audit and financial statements.

IAASB released its new and revised auditing standards that are designed to significantly enhance auditor's reports for investors and other users of financial statements. Subsequently, the Sri Lankan Auditing Standards Committee made recommendations to the Council of CA Sri Lanka to adopt those changes, following which a decision was taken to make the new and revised auditing standards effective for audits of financial statements for periods ending on or after March 31, 2018.

The new international audit-related reporting standards were released following several years of development. This applies to audits of complete sets of general purpose financial statements of listed entities. One of the key enhancements in the new requirements for auditors of financial statements of listed entities is "Key Audit Matters (KAM)". This change will add transparency to the report about the auditor's work.

With the new and revised auditing standards coming into effect, CA Sri Lanka, in its capacity as the sole promulgator of accounting and auditing standards in the country, has been conducting a series of awareness programmes among stakeholders to help educate them on the latest changes and ensure that they are aware of the new standards coming into effect both locally and globally. ■

CA Sri Lanka joins chartered accountants worldwide and strengthens international presence

CA Sri Lanka has become the 11th member of international body Chartered Accountants Worldwide. CA Sri Lanka is the sixth Chartered Accountancy body to be awarded associate membership to the organisation since it was launched in February 2013.

As an Associate Member, CA Sri Lanka joins a group of globally recognised Chartered Accountancy bodies that are committed to enhancing the value of the Chartered Accountant brand and the profession. Being admitted to Chartered Accountants Worldwide recognises the importance of the qualification in Sri Lanka and demonstrates CA Sri Lanka's commitment to the highest professional and ethical standards. Established in 1959 by an Act of Parliament (No.

Chartered Accountants have been a mark of excellence in the accountancy and business sectors for over 150 years. There are Chartered Accountants working in over 200 locations around the world.

23 of 1959), CA Sri Lanka has continuously endeavored to uplift professional standards both in Sri Lanka and abroad, while playing an integral role as the sole accredited authori-

ty that formulates accounting and auditing standards for Sri Lanka.

Chartered Accountants have been a mark of excellence in the accountancy and business sectors for over 150 years. There are Chartered Accountants working in over 200 locations around the world.

Chairman of Chartered Accountants Worldwide Pat Costello said: "We are delighted that CA Sri Lanka has joined the Chartered Accountants Worldwide family. CA Sri Lanka has played a key role in developing the accountancy profession in Sri Lanka over the last six decades, and shares our ambition to work together to promote the highest standards of the profession globally. We look forward to fresh

perspectives CA Sri Lanka will bring to the table."

Michael Izza, ICAEW Chief Executive, said: "Chartered Accountants are right at the heart of business and play a vital role in the global economy. ICAEW is one of the founder members of Chartered Accountants Worldwide, an international body that brings together institutes from across the globe. We are committed to working together with likeminded organisations to promote Chartered Accountants and support our members. I am delighted to welcome CA Sri Lanka to the organisation."

By joining Chartered Accountants Worldwide as an associate member, CA Sri Lanka, with over 5,000 members, ensures the continued expansion of the organisation that now supports over 640,000 members worldwide.

Chartered Accountants Worldwide members include founder members Chartered Accountants Australia and New Zealand (CA ANZ), Chartered Accountants Ireland, ICAEW, ICAS and the South African Institute of Chartered Accountants (SAICA); and associate members the Institute of Singapore Chartered Accountants (ISCA), the Institute of Chartered Accountants of Pakistan (ICAP), the Zambia Institute of Chartered Accountants (ZiCA), the Institute of Indonesia Chartered Accountants (IAI) and the Institute of Chartered Accountants of India (ICAI). ■



Update

CA Sri Lanka and University of Colombo sign landmark agreement to promote accounting

In a joint effort to enhance and promote the accounting profession in the country, the University of Colombo and CA Sri Lanka signed a Memorandum of Understanding (MoU) recently.

The MoU allows both accounting academia and practitioners to collaborate and carry out a programme of work that will be beneficial to both institutions, as well as accounting professionals and aspiring accountants in the country. The MoU, which was signed by CA Sri Lanka President Lasantha Wickremasinghe and the University's Vice Chancellor Prof. Lakshman Dissanayake, paves way for



academic staff attached to the university's Department of Accounting to act as resource personnel to assist in various course material related to the development of the institute, as well as take part in programmes organised by CA Sri Lanka. The department

also has the option of inviting resource personnel from the institute for events organised by the University.

Both, the University of Colombo and CA Sri Lanka will also explore the possibility of organising a joint Master's Degree programme in Account-

ing for the benefit of relevant graduates of the Department of Accounting and members of CA Sri Lanka.

The agreement will also allow both organizations to engage in joint research for the development of the accounting profession. ■

Dinesh Weerakkody highlights growing demand for accountants and auditors at CA Sri Lanka's Training Partners Forum

Chairman of the National Human Resource Development Council of Sri Lanka Dinesh Weerakkody recently highlighted growing demand for accountants and auditors across the world at the Training Partners Forum organised by CA Sri Lanka.

Elaborating on his statement, Mr. Weerakkody said that, as per global statistics with regard to jobs in demand, accountants and auditors were ranked number two. Mr. Weerakkody noted that, no matter what disruption takes place, the accountancy profession is one that will survive. "When businesses grow, jobs for accountants and lawyers will increase,"

he said, adding that while one doesn't necessarily need qualifications for innovation, one cannot expect a robot to certify a financial document.

He advised on the importance of attracting new talent by adapting to current trends. "Some companies are attracting talent by creating a digital environment," Mr. Weerakkody said. "But your own employees at the audit firms are your best ambassadors. Use them to attract new talent."

Emphasizing on the difference of mentoring and coaching, Mr. Weerakkody said that coaching is about the job, but mentoring goes a step further. "Mentoring helps



groom a person; it helps a person build self-confidence, and when someone has self-confidence, you get the best out of that person," he said. Elaborating on the important role played by training partners and supervising members, President of CA Sri Lanka Lasantha

Wickremasinghe said that training partners and supervising members play a very important and dynamic role in guiding and producing versatile chartered accountants.

The Training Partners Forum was organised by the institute as a value addition for training partners in recognition of their invaluable service, while also educating them on the practical training requirements to help produce a versatile Chartered Accountant.

Currently, the training partner portfolio of the institute has approximately 700 active training organizations that train over 4,500 aspiring Chartered Accountants. ■

CA Sri Lanka members serve on top IFAC committees

Six members of CA Sri Lanka, including the institute's incumbent President Lasantha Wickremasinghe and several past presidents, have been appointed by the International Federation of Accountants (IFAC) to serve in some of its top committees. Mr. Wickremasinghe serves as the Technical Advisor to Ms. Monica Foerster, Chair of the Small and Medium Practices (SMP) Committee of IFAC, while immediate past president Arjuna Herath will serve as Chair of the Professional Accountancy Organization (PAO) Development Committee.

CA Sri Lanka Past President Reyaz Mihular has once again been nominated as a board member to the International Ethics Standards Board for Accountants (IESBA) for the third consecutive term from 1 January 2017 to 31 December 2019, while CA Sri Lanka Council Member Manil Jayasinghe will serve as a board member for the International Accounting Education Standards Board (IAESB) for the term commencing 1 January 2016 to 31 December 2018.

Past president of CA Sri Lanka Sujeewa Mudalige served as a member of the Nominating Committee of IFAC in 2016, while Nishan Fernando serves as a member of the International Accounting Education Standards Board's (IAESB) Consultative Advisory Group (CAG), representing the South Asian Federation of Accountants (SAFA). ■



CA Sri Lanka strengthens good governance by adopting NOCLAR



Ensuring that Sri Lanka is in line with the latest international ethics standards, CA Sri Lanka will adopt the "Responding to Non-Compliance with Laws and Regulations" (NOCLAR) standard with effect from 15 July 2017.

The announcement was made by CA Sri Lanka President Lasantha Wickremasinghe while addressing audit committee members and board directors at an awareness session on changes to reporting on audited financial statements last year.

NOCLAR is an important initiative aimed at safeguarding the accounting profession, and enhancing the reputation and respect of professional accountants across the world.

'Responding to Non-Compliance with Laws and Regulations' is an international ethics standard for auditors and other professional accountants (PAs). It sets out a first-of-its-kind framework to guide PAs in what actions to take in the public's interest when they become aware of a potential illegal act, known as non-compliance with laws and regulations, committed by a client or employer.

This pronouncement was released by the International Ethics Standard Board for Accountants (IESBA) and will be effective internationally from 15th July 2017. The standard applies to all categories of professional accountants,

including auditors, other professional accountants in public practice and professional accountants in organisations, including those in businesses, government, education and the not-for-profit sector. It addresses breaches in laws and regulations that deal with matters such as fraud, corruption and bribery, money laundering, tax payments, financial products and services, environmental protection, and public health and safety.

As a set of ethical standards with global reach, it plays a unique role in supporting the accountancy profession act in the public's interest.

Chairman of the Professional Conduct (Ethics) Committee and Member of IESBA Reyaz Mihular mentioned that accountants have been permitted to set aside the duty of confidentiality under the Code of Ethics for Professional Accountants in order to disclose NOCLAR to appropriate public authorities in certain circumstances.

The Professional Conduct (Ethics) Committee of CA Sri Lanka will launch a series of awareness programmes in collaboration with IESBA targeting professional accountants, including practicing members, audit committees and the general public.

Chairman of IESBA Stavros Thomadakis is expected to facilitate the programmes. ■

Update

IFAC appoints Arjuna Herath as Chair of PAO Development

Following a rigorous nominations process, the International Federation of Accountants (IFAC) today announced the appointments of three outstanding members of the global accountancy profession to lead important committees supporting the profession across the world: Monica Foerster as Chair of the Small and Medium Practices (SMP) Committee; Arjuna Herath as Chair of the Professional Accountancy Organization (PAO) Development Committee; and Charles Tilley for a second term as Chair of the Professional Accountants in Business (PAIB) Committee. The IFAC Board approved their appointments for three-year terms beginning 1 January 2017.

"All three Chairs are proven leaders with deep expertise who are profoundly committed to the public's interest. They bring substantial experience that will be of great benefit to the global profession," said IFAC Chief Executive Officer Fayeze Choudhury.

"We look forward to working with them to advance our support for SMPs, accountants in business and the development of PAOs—all vital components of a strong global accountancy profession."

SMP Committee

As SMP Committee Chair, Ms. Foerster will play a key role in directing and representing IFAC's work to support the SMP and small- and medium-sized entity (SME) sectors worldwide. The SMP Committee provides strategic advice



to IFAC and undertakes activities in three main areas: Input on international standards development to ensure their relevance and proportionality to the sector; developing and sharing practical guidance and resources; and raising awareness of the value of SMPs/SMEs worldwide.

Ms. Foerster previously served as SMP Committee Deputy Chair (2015-2016) and a member since 2014. With over 20 years of experience in the accountancy profession, she is currently a partner at Confidor—an accounting, tax and law firm—and SMP Director and Working Group Coordinator at the Instituto dos Auditores Independentes do Brasil (Ibracon), an IFAC member organisation. Additionally, she is a Counselor at the Brazilian Accounting Council (CRCRS).

PAO Development Committee

The PAO Development Committee serves as an important advisor to IFAC in its work to develop, promote and

strengthen the accountancy profession in the public's interest. As Chair, Mr. Herath will provide direction to the committee's efforts, including input to guidance and outreach to raise awareness of the role of the profession and PAOs in economic development. Mr. Herath will also serve as Co-Chair of the Steering Committee for MOSAIC, the Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration.

A member of the committee since 2013, Mr. Herath joined the committee as president of both the Institute of Chartered Accountants of Sri Lanka and the South Asian Federation of Accountants, and is a partner at Ernst & Young Sri Lanka and Maldives.

In addition to giving leadership to the profession in Sri Lanka and South Asia, he has more than two decades of experience as a Chartered Accountant in industry, commerce and public practice. Mr. Herath also serves on the Board of Directors of the Sri Lanka Accounting and Auditing Standards Monitoring Board, and completed a term in the board of the Confederation of Asia Pacific Accountants and as a commissioner of the Sri Lanka Securities and Exchange Commission.

PAIB Committee

Re-appointed as Chair of the PAIB Committee, Mr. Tilley will continue to provide leadership to IFAC's work supporting and promoting professional accountants in the private and public

sectors, who work in a wide variety of roles critical to the success and sustainability of their organisations. As strategic advisors to IFAC, the PAIB Committee identifies relevant business and accountancy issues that need to be addressed by the global profession, and advises on how best to do so.

The PAIB Committee provides input into IFAC initiatives, projects and activities to ensure inclusion of perspectives and issues relevant to professional accountants in business, and supports knowledge exchange among PAOs.

Mr. Tilley has served as Chair of the Committee since 2014, and is a former IFAC Board member and Business Reporting Project Chair. He recently became Executive Chair of the Chartered Global Management Accountant (CGMA) Research Foundation, after stepping down as Chief Executive of the Chartered Institute of Management Accountants (CIMA), a role he held since 2001.

Additionally, he sits on the UK Financial Reporting Council's Lab Steering Group, is Senior Advisor to the International Integrated Reporting Council Board Chair, and is a Council Member of the Prince of Wales' Accounting for Sustainability.

Previously, he served on the UK Treasury Best Practices Panel. In 2016, Mr. Tilley was recognised on the UK's New Year's Honors List and awarded the Order of the British Empire for his services to the economy, leadership and significant achievements. ■

Minister Malik Samarawickrama calls on CA Sri Lanka to take the lead in shaping the future

Minister of Development Strategies and International Trade Malik Samarawickrama has called on professional organisations to take the lead in the journey towards shaping Sri Lanka's future. Addressing the inauguration of the 37th National Conference of Chartered Accountants, chief guest Mr. Samarawickrama said that the world we are living in is very different and therefore it needs 'unleashed thinking'.

"We are at the beginning of a revolution that is fundamentally changing the way we live, work and relate to one another. A paradigm shift is underway in how we work and communicate, as well as how we express and inform ourselves.

Equally, governments and institutions are being reshaped... as much as in healthcare and transport, among other sectors," he told the gathering comprising top business lead-



ers, decision makers, and renowned accounting and finance professionals. Mr. Samarawickrama said that the changes are historic in terms of size, speed and scope, and therefore governments, business academia and civil society have the responsibility to work together to better understand emerging threats facing all stakeholders.

"Clearly, the challenges are as daunting as much as the opportunities are compelling - together we have to work to transform these challenges into opportunities by adequately and proactively preparing for the effects and impacts." President of CA Sri Lanka Lasantha

Wickremasinghe said that development is not only a government's responsibility, and as stakeholders of a country, each and every one has an important role to play in supporting the government's initiatives, and thereby contributing towards Sri Lanka's long-term vision.

"We all envision a better future for Sri Lanka, but a country's success always depends on its people, their vision, hardwork and commitment. The journey to be better cannot be achieved overnight; it is a systematic process that can be achieved when all stakeholders come together with a vision."

Speaking at the event,

Chairman of the National Conference Committee Tishan Subasinghe said that the conference, which is one of the most sought-after corporate level events in Sri Lanka, has progressed from a technically-centric event to become a more business-oriented conference that focuses on contemporary business issues that could be of interest even to non-accountants.

"This year, our conference saw over 1,600 participants in attendance. I am happy to note that there was remarkable demand by non-accountants to register for the conference."

Speaking on the theme of 'unleashed thinking', Mr. Subasinghe said that, at this juncture, Sri Lanka needs good accountants and many entrepreneurs. He said that the conference was considered an important platform to help accountants build up their entrepreneurial instincts. ■

CA Sri Lanka Business School confers MBA and Postgraduate Diplomas to 118 graduates

The Business School of CA Sri Lanka conferred Master's Degrees and Postgraduate Diplomas on 118 graduates at the 2016 Business School Convocation.

A total of 55 students successfully completed the Master of Business Administration (MBA) and the Master of Project Management (MBPM) from the University of Southern Queensland (USQ), Australia, while a total of 63 students were conferred

with the Postgraduate Diploma in Business and Finance.

The convocation was held under the patronage of the Chancellor of the University of Southern Queensland John Dornbusch, who was the chief guest, while His Excellency Tim Huggins, the Deputy Australian High Commissioner in Sri Lanka; Professor Janet Verbyla, Senior Deputy Vice-Chancellor of the University of Southern Queensland; and Professor

Talal Yusaf, Executive Director of the university were guests of honour.

Extending his congratulations to the graduates, President of CA Sri Lanka Lasantha Wickremasinghe said that the graduation was a great achievement by the graduates and showed dedication towards enhancing their knowledge for professional excellence, which is a requirement to survive in the current complex business

world. Chairman of the CA Business School Heshana Kuruppu said that hardwork is an essential pillar in a professional's journey to be successful. He also noted that the CA Sri Lanka Business School has made vast strides in an impressively short period of time, and is today among the most recognised business schools in the country offering a multitude of locally and globally recognised qualifications. ■

Update

CA Sri Lanka students pass 2016 Executive Level with flying colours

Records broke at CA Sri Lanka, with a large number of students becoming 'high achievers' and a larger percentage of students passing with flying colours at the CA Executive Level exam held in September 2016.

A significant number of students excelled at the exam after obtaining over 70 marks out of a total of 100. Students who obtained high scores were categorised as 'high achievers' of the Executive Level by the institute.

A large number of students attributed their success at the exam specifically to the range of new features and



other services offered by the institute such as webinars, revision and past paper discussions, as well as the assistance they received from study packs, along with the support from tuition colleges.

The groundbreaking curriculum has paved the way for increased pass rates, helping thousands of students realise their dreams of

becoming globally sought-after chartered accountants.

First in order of merit prize, Ridma Thaksara said that, apart from the hard work and dedication, his decision to continuously follow the revision sessions organised by CA Sri Lanka, use study packs offered by CA, watch webinars and follow lectures at the tuition college

contributed to his success.

CA Sri Lanka President Laksan Wickremasinghe said that the institute was taking every effort necessary to continuously enhance the quality of its benchmark qualification by regularly developing and updating the education and examination processes, as well as the training component. "We are also focusing on bringing in modern examination methodologies, along with updating our training structures, to develop a core group of exceptionally talented students, who will go on to become professionals," Mr. Wickremasinghe said. ■

CA Sri Lanka, SAFA, World Bank and ADB deliberate on Accrual Accounting for South Asia

As Accrual Accounting continued to gain ground, South Asia too has begun to extensively deliberate on adopting this methodology for the public sector during a high profile event organised by CA Sri Lanka, South Asian Federation of Accountants (SAFA), World Bank Group and Asian Development Bank.

Speaking at the event, Finance Minister Ravi Karunanayake said that accrual-based accounting standards ensure greater transparency and accountability in the public sector, and helps better monitor government debt.

"It is important for governments to focus on establishing trust, and to establish

trust, it is important for governments to provide accurate and complete information pertaining to the expenditures and transactions in order to demonstrate accountability and professionalism," he told the event, which brought together over 200 delegates from across South Asia. Mr. Karunanayake said, in the current context, the role of accounting professionals and their accountability in ensuring good governance are significant. "Therefore, the regional event on accrual accounting is very appropriate."

World Bank Country Director Ms. Idah Z. Pswarayl-Riddihough said South Asian countries have made

remarkable progress towards achieving the Millennium Development Goals, particularly in poverty reduction, gender equality and access to primary education, with the region recording an impressive 7.1% growth (expected to increase to 7.3%).

However, according to her, despite unprecedented growth in South Asia, resources remained scarce and accountability needed enhancement, and it was also important to create an environment that boosts jobs while protecting the poorest.

ADB Country Director Ms. Sri Widowati said that ADB recognizes that investment in socio and economic infrastructure is much more effective

and efficient when good governance practices such as a sound public management system is in place.

President of SAFA Naeem Akhtar Sheikh said that the road to accrual accounting is the road to prosperity. "We accountants strongly believe that accrual accounting is the way forward. In fact, it is the mother reform to take the country forward. Early adoption of public financial management and accrual-based accounting will enable governments with financial information to make informed decisions and let them know whether they are using the resources effectively, and increase their ability to raise finances." ■

Join today and graduate with a highly reputed BSc. Degree in Applied Accounting

Students looking to pursue a successful accounting and finance career can now apply for the March 2017 intake for a Bachelor's Degree in Applied Accounting offered by the country's foremost professional organisation CA Sri Lanka.

Students who have successfully completed their local GCE Advanced Level or London Advanced Level (Edexcel/Cambridge) examinations with three passes can register for the degree programme.

Additionally, professionals who are employed and have fulfilled the basic entry

requirements can also follow the degree programme on part-time basis. Students with pending results can also register for the degree.

CA Sri Lanka's BSc. in Applied Accounting is approved by the University Grants Commission and is equivalent to degrees offered at Sri Lanka's state universities.

The BSc. in Applied Accounting degree, which is conducted in Colombo, offers students recognition both in Sri Lanka as well as overseas, apart from a very promising career in the field of accounting. The degree is designed to impart quality academic

education specific to existing and emerging requirements of the financial sector, and has been developed with the objective of creating employable graduates with the required skills, competencies and industry knowledge to fulfill a successful accounting career.

The Internship and skills development component helps students reach their full potential as they pursue training at prestigious firms in the country, while gaining sufficient practical exposure in technical areas.

The BSc. in Applied Accounting degree also offers a

range of exemptions for CA Sri Lanka, CIMA, ACCA, AAT and SLIATE HND qualifications.

Within a short span of time, the degree has been approved by the University Grants Commission and internationally accredited from highly respected accounting organisations such as the Association of Chartered Certified Accountants (ACCA) and CPA Australia, while leading Australian universities Deakin and La Trobe offer transfer opportunities to students following CA Sri Lanka's Applied Accounting degree. ■

Students conferred with BSc. in Applied Accounting degrees at inaugural convocation

The inaugural convocation of CA Sri Lanka's School of Accounting and Business witnessed the graduation of 75 students who were conferred with the BSc. Applied Accounting (general) degree after completing their course of study and internship.

The event was held under the patronage of Senior Professor of Civil Engineering at the University of Moratuwa Prof. Malik Ranasinghe and the former Vice Chancellor of the University of Moratuwa. Students who were part of the degree programme's inaugural batch in 2013 received their degrees at the convocation held in November 2016. Within a short span of time, the degree, which was approved by the University Grants Commission, has also been internationally accredited from highly respected



accounting organisations such as the Association of Chartered Certified Accountants (ACCA) and CPA Australia, while leading Australian universities such as Deakin and La Trobe offer transfer opportunities to students following CA Sri Lanka's Applied Accounting degree.

Extending his congratulations to the graduates, CA Sri Lanka President Lasantha Wickremasinghe said education, skill and experience are

vital factors for any professional to succeed in their career. "So, develop knowledge and skills, and gather as much experience as possible, because more and more organisations are seeking multi-skilled professionals."

Emphasising that Sri Lanka was at the threshold of renewed development, Mr. Wickremasinghe urged the graduates to be part of Sri Lanka's revival by thinking out of the box, and becoming

the vision and leadership Sri Lanka needs to help the country progress to the top.

Chairman of the School of Accounting and Business Heshana Kuruppu said the inaugural convocation marks another milestone for both CA Sri Lanka and the School of Accounting and Business.

"Launched in 2013, the BSc. Degree in Applied Accounting fulfils aspirations of bright students who don't get an opportunity to enter state universities and those who are seeking high-quality academic education. There is no doubt that the initiative taken by CA Sri Lanka in 2013 to introduce a recognised degree has proved to be a very successful mission, and the ever-increasing number of students, both local and foreign, is testament to this," he said. ■

Focus On - Technical

Annual Improvements to SLFRS 2016



The Accounting Standards Committee has recommended the adoption of the IFRS Annual Improvements Cycle 2014-2016, issued by the International Accounting Standards Board (IASB).

These changes will be adopted as annual improvements to Sri Lanka Accounting Standards 2016, and become effective on the following dates:

SLFRS 1 (First-time Adoption of Sri Lanka Accounting Standards): Short-term exemptions in paragraphs E3-E7 of SLFRS 1 are deleted, as they have served their intended purpose. The change comes into effect for annual periods starting on or after 1 January 2018.

SLFRS 12 (Disclosure of Interest in Other Entities): The scope of SLFRS 12 is clarified by specifying that the disclosure requirements (except for those in paragraphs B10-B16) would apply to an entity's interests listed in paragraph 5 (i.e. subsidiaries, joint arrangements, associates or unconsolidated structured entities) that are classified as held for sale, held for distribution or discontinued operations in accordance with SLFRS 5. These changes are effective for annual periods commencing on or after 1 January 2017.

LKAS 28 (Investments in Associates and Joint Ventures): Clarified that the election to measure, at fair value through profit or loss, an investment in an associate or a joint venture that is held by a venture capital organisation or other qualifying entity is available for each investment in an associate or joint venture on an investment-by-investment basis upon initial recognition—effective date for annual period beginning on or after January 2018.

Annual improvements to SLFRS comprise a collection of narrow-scope amendments to existing SLFRS, and can be accessed at www.slaasc.lk/accounting. ■

Recent Technical Pronouncements issued by CA Sri Lanka

1. Code of Ethics 2016

The latest edition of the Code of Ethics for professional accountants as per international standards is now available for sale. It will be effective from 15 July 2017.

The new edition includes the following amendments to the prevailing Code:

- Dealing with the breach of a requirement of the Code
- A conflict of interest
- The role of internal auditors in the engagement team
- The definition and communication protocol with “Those Charged with Governance (TCWG)”
- Provision of Non-Assurance Services (NAS) to audit and assurance service clients
- Responding to Non-Compliance with Laws and Regulations (NOCLAR)

2. Sri Lanka Accounting Standards for Small & Medium-sized Entities (SLFRS for SMEs) 2015

The consolidated version of Sri Lanka Accounting Standards for Small & Medium-sized Entities (SLFRS for SMEs) 2015 is now available for sale. This publication incorporates the relevant amendments to SLFRS for SMEs applicable with effect from 1 January 2015.

3. SLFRS 9: Financial Instruments, SLFRS 15: Revenue from Contracts with Customers, and SLFRS 16: Leases

The publication is accompanied by a comprehensive set of illustrative examples to guide readers on the application of the forthcoming SLFRS, and would include the following:

- SLFRS 9: Financial Instruments - Effective for financial periods beginning on or after 1 January 2018
- SLFRS 15: Revenue from Contracts with Customers - Includes clarifications to SLFRS 15 adopted in 2016 as well
- SLFRS 16: Leases

4. Sri Lanka Accounting Standards Bound Volume 2017

Sri Lanka Accounting Standards Bound Volume 2017 will include all Sri Lanka Accounting Standards that will be mandatory from 1 January 2017. The main changes that would be included in this publication are as follows:

- Disclosure Initiative (amendments to LKAS 7)
- Recognition of Deferred Tax Assets for Unrealised Losses (amendments to LKAS 12)
- Amendments to SLFRS 12: Disclosure of Interests in Other Entities

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