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Round Table Budget 2016:

STAYING FOCUSED ON REFORMS

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ISSN 2279-3860

VOL.2 • ISSUE. 8

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Intelligence & Insight from CA Sri Lanka

Success of reformist budget needs everyone's support

Businesses are mostly happy with the 2016 budget. Leading business chamber the Ceylon Chamber of Commerce called it a development and investment-oriented budget. Civil society, including businesses, has a greater role to play in its success.

The private sector applauds the reduction of income tax, easing restrictions on foreign ownership of land, and the intent to create more space for businesses, with the government pledging to exit commercial enterprises and create more public-private partnership opportunities. The budget's focus on fiscal consolidation through reforms to pensions, subsidies and welfare drew cheers as well.

In this issue, former central banker and economist Dr Anila Dias Bandaranaike, tax expert Duminda Hulangamuwa and corporate leader Mangala Yapa take a look at the 2016 budget from a macro perspective. A budget cannot make everyone happy, but it can give policy direction for macroeconomic stability that benefits all. On this count, they said it was crucial that the government implemented the reforms proposed in the 2016 budget.

There are three challenges facing the reformist budget. The first comes from the budget's tax proposals.

The government is hoping to widen the tax base with the reduction of income tax and a string of tax concessions. This is not likely to rake in enough taxes, they warn. With uncertainty and distrust elevated, people are likely to dodge taxes than volunteer. If revenue targets are then to be met, growth in contributions from existing tax payers will have to double in the event new tax payers don't come in to the net. For this, the economy must take off in 2016, which is not going to happen; even the Prime Minister already conceded that the economy will slug-along instead.

Second, the 2016 budget is not in sync with the Prime Minister's Economic Policy statement. Where more clarity was expected, what we got was an assortment of wish-lists from every minister in the government, stirred and served from a bucket, Dr Bandaranaike says. This is an expected outcome of a coalition government, which is why the focus on reforms is crucial. .

Third, while the private sector is happy about the clarity, there are grey areas that need to be unravelled. For example, legislation is required to ease restrictions on foreign ownership of land and unlock investment potential.

The government must take on these challenges to successfully implement the reforms proposed in the budget. But it cannot do this alone. The government can deliver reforms if it can meet its fiscal targets. Citizens must realise that they must stop asking for hand-outs and benefits, and that some short-term belt tightening is in order to fix our chronic economic problems for good.

CA THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

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 organizations gain long-term sustainable economic growth.

CONTRIBUTORS
Avanti Samarasekera
Devan Daniel
Isankya Kodithuwakku
Shamindra Kulamannage
Vinod Moonesinghe

DESIGN & LAYOUT
Indika Sriyan Gammudali

PHOTOGRAPHY
Saaliya Thilakarathna
Shafraz Farook

CA JOURNAL'S publications consultant is Capital Media (Pvt) Ltd., 22, Flower Terrace, Colombo 7. Phone 0112577387

CA SRI LANKA
30A, Malalasekera Mawatha, Colombo 7, Sri Lanka
T : 0094-11-2352000
F : 0094-11-2352060
E : secretariat@casrilanka.com

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A word from the President

We must continue to grow in strength for institute and country

Arjuna Herath
President - CA Sri Lanka

As we come to the end of another term of the CA Sri Lanka Council, it's a good time than any to reflect on what we have achieved. The past two years were gripped by change and volatility, which we turned to opportunities to put the profession on a stronger footing to better serve the country.

As the national professional accounting body, we are expected to act in the public's best interest. We do this by producing capable and competent accountancy professionals. To this end, promoting and enforcing professional conduct and ethical standards; constantly improving financial reporting and management; and providing our professional resources to the government, regulators and other stakeholders are important areas of focus.

We, as members of this professional body, must understand and appreciate the expectations from the institute. We should ask what we can do for the institute and not what the institute can do for us. Our actions must never harm the institute's reputation. We must strive to be an example to those aspiring to the profession. The institute needs our selfless service to sponsor and propagate its virtues.

The institute has a focus on public interest.

You may recall the proposed Amendment to Article 154 of the Constitution, where the Auditor General was to audit the accounts of companies in which a 40% or more stake was held by the government. This threatened to compromise the unimpeachable right of shareholders to appoint an auditor of their choice ensuing from their interest in the company–majority shareholders would have been unable to exercise their inherent right to scrutinize and question the financial statements of the company, as the Auditor General is only answerable to the parliament. The Auditor General cannot be sued for violating duty of care towards shareholders.

The institute made representations to the government, and the anomaly was addressed to some extent by changing the proposed amendments, increasing the threshold of shareholding by the government in companies to 50% to fall under on the Audit General's radar. The changes also required the Auditor General to be a qualified auditor as defined in the constitution, a provision missing in the proposed amendment that was recommended by the institute.

Citizens rightly expect the government to manage financial resources generated by the people and the wealth of the country. There is enormous pressure on the government to work with tighter budgets and deliver better social outcomes. The government must be held accountable, and its financial management must be robust and transparent.

In this context, the institute proposed that the government adopt the Public Sector Accounting Standards, which will deliver high-quality, transparent, comparable public sector financial reporting. Understanding the true costs of government services, including all assets and liabilities, is central to good governance and economic growth.

The government has accepted the institute's proposal. The Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) Act will be amended to enforce Sri Lanka Public Sector Accounting Standards (SLPSAS) across all government agencies. Sri Lanka Auditing Standards will then apply to the public sector as well. These accounting and auditing standards will be issued by CA Sri Lanka.

We remain engaged with the government, collaborating amendments to the Companies Act, Sri Lanka Accounting and Auditing Standards Monitoring Board Act, Securities and Exchange Commission Act and other legislations to bring about increased transparency, accountability and good governance to enable us to fulfil the institute's broader mandate.

The institute intervened to give more clarity to the definition of an 'approved accountant' in the Inland Revenue Act. An amendment to the Act proposed to include members of the Association of Accounting Technicians of Sri Lanka (AAT) as 'approved accountants'. We felt this was not prudent, as they are not trained to certify accounts and financial statements. It would have undermined efforts to improve tax collection and enhance revenue to the state.

Our lobbying paid off, and the recent budget speech indicated that AAT members can only audit companies with turnover of less than Rs100 million, provided they can prove to the revenue department that they are competent to the task.

As a profession, we are only as strong as the weakest among us, so we focused on strengthening the capacity of our practitioners over the past two years. We introduced an Audit Tool Kit to enable practitioners to conduct audits efficiently and effectively. We conducted training on SLSQC 1 Auditing Standard, which provides systems and processes at a firm level to ensure audit quality.

We also focused on our practitioners serving small enterprises. A new accounting standard was introduced for small enterprises, making the preparation of financial statements and auditing less complicated. This will help small businesses nurture a culture of preparing accurate accounts, which will benefit them in terms of proper costing, accurate pricing, ensuring adequate working capital and ensuring business sustainability.

The institute is in process of building tools to help small and medium businesses prepare effective business plans, sound feasibility studies and funding proposals.

These and many other initiatives over this two-year term will be the foundation that will bring about a transformation of our profession to the next phase of evolution, making us better equipped to meet the challenges of a growing economy and an ever-evolving corporate world.

In all this, our goal is to always carry out our national mandate to the satisfaction of all stakeholders. This is what will drive us to a bright future—this is my wish to all our members and the profession as the curtain falls on another term.

“The institute intervened to give more clarity to the definition of an ‘approved accountant’ in the Inland Revenue Act. An amendment to the Act proposed to include members of the Association of Accounting Technicians of Sri Lanka (AAT) as ‘approved accountants’. We felt this was not prudent”

Link Engineering

Witnesses Great Demand for its Construction Excellence

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

The construction legend, Link Engineering (Pvt) Limited, has been awarded construction projects worth SLR many billions this year (2015). They have already completed many of the projects they received this year, while the last phase of some projects is nearing completion by 2016. Meantime, they have also commenced some mega projects in Jaffna, Colombo, and suburbs.

Link Engineering is one of the few first construction engineering companies in Sri Lanka which boasts more than four decades of experience in the field. They have enjoyed many renowned accolades for their excellence in construction field over the years and continue to hold its records unbeaten with intense determination to achieve more for the future as well.

Today Link Engineering has become a subsidiary of the reputable Blue Ocean Group of Companies which owns a range of well-recognized companies including providers of most of the essential services of the construction field such as engineering, quality controlling, and management solutions, to mention a few from a long list.

Well known business visionary and most sought after academic of higher education Mr. S. Thumilan, leads the Blue Ocean Group as its chairman.

Mr. S. Thumilan has been a senior executive of many successful enterprises during his career. He holds many prestigious memberships including the Institution of Chartered Accountants of Sri Lanka. While being a Chartered Accountant and Group Chairman by profession, he also serves as a lecturer for professionals as well as students at the CA, ACCA, and CIMA – the three major professional accountancy bodies in Sri Lanka and aboard.

Initiated by Group Chairman S. Thumilan and well supported by highly educated and experienced staff, the Link Engineering (Pvt) Limited has reached a magnificent landmark in their journey by receiving many construction projects in the Jaffna and in the Colombo Districts this year. It is worth looking at major projects they have completed and their ongoing projects to rightly value their achievements in the construction field of Sri Lanka.

To start with, this year, the Government of India has awarded Link Engineering through its High Commission in Colombo major projects including the construction of Civil Engineering & Mechanical Engineering Complex at Faculty of Engineering and Faculty of Agriculture of the University of Jaffna. They are being built now at Ariviyal Nagar in Kilnochchi.

The award agreements were signed with Link Engineering only after following the proper bidding process which qualified it as the most suitable company for granting the projects. Link Engineering along with the superior guidance of its parent company the Blue Ocean Group of Companies is now engaging in a range of construction in Jaffna District with the assistance of the Indian and the Sri Lankan Governments.

Link Engineering new projects in Jaffna will directly facilitate the student population there paving the way for them to acquire high education in comfort. Others will solve in days to come the issue of homelessness and lack of infrastructure facilities.

The Jaffna city is developing very fast and many are looking for modern, but affordable housing units in the city and suburbs. Link Engineering aspired to meet their demand by providing quality single housing units for affordable prices. By looking at the quality, iconic constructions that Link Engineering have built and is building in the city, seekers of single unit houses and businesses premises can get assured themselves that Link Engineering is capable for carrying out any type of construction.

The trust the Sri Lankan Government has placed in Blue Ocean and its subsidiary Link Engineering proves beyond doubt the Group's high caliber in construction of any type of structure from a small-scale apartment complex to state of the art skyscrapers. Going in line with the trust, the Ministry of Health in Sri Lanka in this year has entrusted Link Engineering the extension of Kalutara Hospital Clinic Building.

Link Engineering has already completed some of the projects that they were awarded. They include Jaffna Water Board Building Complex, Jaffna Road Development Authority (RDA) Office, Jaffna Education office, and Faculty for Humanities of Kelaniya University.

In addition to government-offered major projects, the Group has also proudly awarded the construction of their new condominiums to Link Engineering. They are located at N.06, 19th Lane, Colombo 3, No.25, Frankfurt Place, Colombo 4, No 502. Havelock Road, No 08. Jayasinghe Road, Colombo 5 and No.73, Gregory's Road, Colombo 7

These condo projects offer grand investment opportunities for local and foreign investors and seekers of housing units. For example, they can purchase condo apartments at lower prices than that of single housing units. By owning condo apartments, they will also receive the opportunity to live in a posh, comfortable, safe environment that they cannot otherwise afford to live in. Moreover, the buyers of condo apartments receive a high equity, and they can enjoy tax exemptions on their mortgages.

The iconic state of the art Blue Ocean Group condominiums provide spectacular sea views and their occupants can enjoy a spacious residential living environment. Uncongested wide roads provide access to all facilities: Modern Gymnasium, Rooftop Swimming Pool, BBQ and Function Hall are some of the amenities in Blue Ocean Condos. The apartments will be completed on time for occupation and the deeds and legal documents will be provided on time.

The Group is to invest over billions in these luxury apartment projects. The plus factor is that considerable number of apartments in every project has already been sold, and the demand for them is increasing further, according to the Link Engineering management.

Apart from residential apartment projects, Link Engineering has now engaged in condominium market. Under the able guidance of its parent company Blue Ocean Group of Companies, Link Engineering has embarked on a major condo construction project in Mount Lavinia. It is going to be the tallest tower in the Mount Lavinia area once it was completed.

Link Engineering design all the awarded apartment complexes taking into account the latest global architectural trends and initiatives of foreign and local experts. The company employs only high quality building materials and includes the state of the art amenities for their constructions. The idea is to provide the highest comfort possible for their occupants with the least investment that they can spend on for buying an apartment.

Sri Lanka today provides excellent investment opportunities for foreigners and locals in its construction field. The Blue Ocean Group of Companies together with Link Engineering expands the horizon of the field for foreign and local investors and those who seek ownerships of apartments or housing units in condominiums.

With each construction they built, Blue Ocean and Link Engineering prove their unmatched capability in the construction field again and again. They are trusted by generations. Link engineering gains trust by constructing quality condos, apartment complexes and other building taking into account the future needs of those who seek accommodations and business premises in prime locations in Sri Lanka with all the amenities and privacy needed for them.

For Contacts:
Hotlines - +94 777 546 546 / +94 112 722 217
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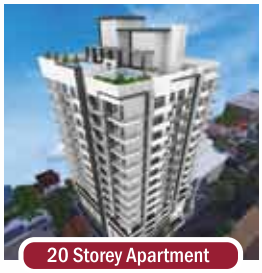
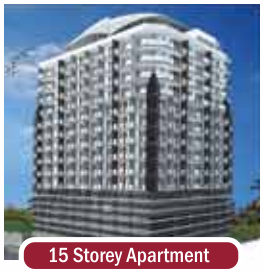


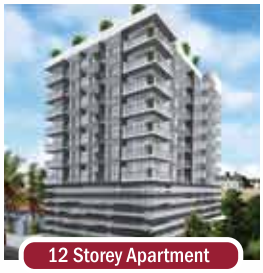
20 Storey Apartment

No.45, Alfred House Gardens, Colombo 03



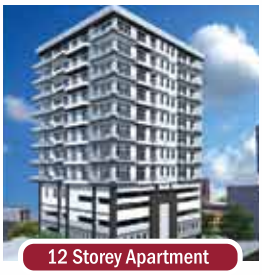
15 Storey Apartment

No.06, De Alwis Avenue, Mount Lavinia



12 Storey Apartment

No.06, 19th Lane, Colombo 03

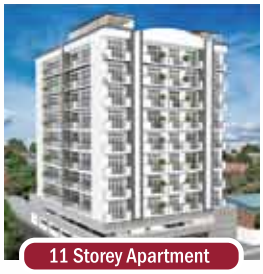


12 Storey Apartment

No.22, Boswell Place, Colombo 06

11 Storey Apartment

No.23, Moor's Road, Colombo 06

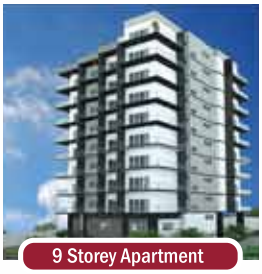


11 Storey Apartment

No.08, Jayasinghe Rd, Colombo 05

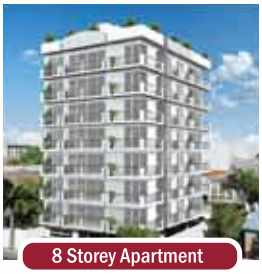
10 Storey Apartment

No.502, Havelock Rd, Colombo 05



9 Storey Apartment

No.05, Railway Avenue, Nugegoda



8 Storey Apartment

No.25, Frankfurt Place, Colombo 04

6 Storey Apartment

No.73, Gregory's Road, Colombo 07

Upcoming Project

No. 121. Inner Flower Road, Colombo 03

Upcoming Project

No. 37/7, Beach Road, Mount Lavinia

& Many More...

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Office Complex

Ceylon Electricity Board Colombo 14

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University of Jaffna Kilinochchi

Faculty of Engineering

University of Jaffna Kilinochchi

Migrant Resource Office

SLFEB - Ratnapura

New Court Complex

Ministry of Justice Homagama

Water Board Office Complex

NWSDB Ratmalana

District Office Complex

Co-operative Rural Bank Ratnapura

Clinic Building

General Hospital Kalutara

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Head Office
No. 32, 1st & 2nd Floor,
Galle Road, Dehiwala,
Sri Lanka
+94 112 722 217

Branch - United Kingdom
#11 Meadow Close,
Bexleyheath, Kent, DA6 7HB,
United Kingdom
+44 79 6096 9684

Branch - Dubai, UAE
Office 1403, Al Manara Tower
Burj Khalifa District,
Business Bay, Dubai
+971 505 884 269

Workshop - Sri Lanka
No.105, St. Peter's Road,
Koralawella,
Moratuwa, Sri Lanka
+94 777 729 555

Editorial Committee

Arjuna Herath

FCA, BSc, MA in Financial Economics, MBA

President, CA Sri Lanka

Partner and Head of Advisory Services at Ernst & Young. Member of the Board of Directors of Sri Lanka Accounting and Auditing Standards Monitoring Board, and the Postgraduate Institute of Management. Commissioner of the Securities and Exchange Commission (SEC). Vice President of the South Asian Federation of Accountants and Member of the Board of Directors of Confederation of Asia Pacific Accountants (CAPA). Member of the Professional Accountancy Organisation Development Committee of the International Federation of Accountants (IFAC)

Lasantha Wickremasinghe

FCA, FMAAT

Vice President, CA Sri Lanka

Partner of B R De Silva & Co and Alles Martin & Co. Chairman of Committee for Improvements in Transparency, Accountability and Governance (ITAG), SAFA Committee 2013/2014. Chairman of the Operations Review committees at CA Sri Lanka.

Channa Manoharan

FCA, FCMA

Head of Advisory/Chief Operating Officer of PricewaterhouseCoopers, Sri Lanka & Maldives, and the Partner leading the Consulting Practice. He is the Chairman of the CPD Committee, BPO Task Force and the IT Faculty. He serves as the alternate Chairman of the Examinations Committee and a member of the Operations Review Committee at CA Sri Lanka.

Thivanka Jayasinghe

ACA, ACMA (UK)

Partner of PricewaterhouseCoopers, Sri Lanka. Prior to returning to Sri Lanka, he worked as an Associate Director in an international firm in the Bahamas providing restructuring services. He has also worked at Dipped Products PLC and two other accounting firms in Sri Lanka. He serves on many committees of CA Sri Lanka including the Operations Review Committee.

Shan Shanmuganathan

FCA, FCMA

Chairman, Library and Journal Committee, CA Sri Lanka

Chairman, Finder 2000 (Pvt) Ltd, Director Vallibel Power Erathna PLC. He formerly served as Director at National Savings Bank, Director at Associated Newspapers of Ceylon Ltd, Managing Director/CEO at Union Bank of Colombo and Director - Marketing at American Express Bank, Colombo.

Nihal Welikala

FCA, LLB, FCA (ICAEW)

Fellow of the Institute of Chartered Accountants in England and Wales, and of the Institute of Chartered Accountants of Sri Lanka. Holds a Bachelor's degree in Law. Worked for Ernst and Young in London, was CEO of Citibank Sri Lanka and subsequently was CEO of NDB Bank.

Gerard J David

ACA

Partner of SJMS Associates, an Independent Correspondent Firm to Deloitte Touche Tohmatsu. Specializes in corporate insolvency and has significant experience in closure management of companies. Has experience in a number of areas in Transaction Advisory Services, which includes business valuation, company amalgamation, vendor due diligence, divestiture of business and business turnaround of medium-sized family owned companies in Sri Lanka. Also experienced in the Corporate Secretarial Practice and advises on Foreign Direct Investments in Sri Lanka.

Aruna Alwis

Diploma in Business Administration, AIMIS; MBA

Secretary/Chief Executive Officer, CA Sri Lanka

Received his Executive education from INSEAD, IIM– Bangalore and Open University of UK. An Associate Member of the Institute for the Management of Information Systems – UK. Holds a Diploma in Business Administration from the University of Colombo and an MBA from the University of Warnborough.

Periscope

CONSUMER DURABLES GROWING AGAINST HEADWINDS

Consumer durables retailers will see demand recover and persist amid favourable economic conditions, despite risks from currency depreciation, rising interest rates and tariff hikes, Fitch Ratings Lanka says.

"We expect the conducive demand environment for consumer durables to persist in Sri Lanka despite headwinds from the depreciation of the Sri Lanka rupee against major currencies and higher import tariffs," the ratings agency said in a recent report. However, retailers have been able to pass these on to consumers in the past.

It said improving purchasing power, which drove revenue growth for consumer durables retailers in the first half of this year, will be sustained by lower energy tariffs, low interest rates, public sector salary hikes and price cuts on essential food items earlier this year.

In-house hire purchase facilities accounted for about 40% of sector revenues and are expected to drive top-line growth. "This improves the affordability of durable goods among rural households, which account for 75% of the market," Fitch said.

Hire purchasing is sensitive to interest rate movements, but Fitch believes interest rates would not enter double-digit ranges seen before 2014 in the medium term.

Demand is also shifting towards small ticket IT and communication products such as smartphones, tabs and laptops. These products have inherently low margins, so this shift is expected to have an adverse impact on profitability; but higher volumes are expected to drive top-line growth, Fitch says.

The profitability margin of the consumer durables sector is expected to improve from 8.6% this year to 9.6% next year and 9.9% in 2017.

Singer Sri Lanka PLC and Abans PLC, two listed consumer durables retailers rated by Fitch, are expected to see further improvements in leverage. "Solid top-line growth and margin improvements have helped the two companies lower their leverage in 2015 from highs in 2014," Fitch said.

Headwinds from the currency depreciation and tariff hikes create opportunities for consumer durables retailers who can re-price stocks and widen margins further, helping them sustain margins in the longer term, Fitch says.

"Any adverse volume impact from higher prices could be alleviated to an extent by rising disposable income levels, which makes consumers less sensitive to price movements," Fitch Ratings says.

Singer Sri Lanka saw revenue grow 34% for the nine months ending September 2015 to Rs9 billion, compared to a 15% growth rate in the previous year. Abans reported revenue growth of 24% to Rs9 billion for the six months ending June 2015, up from a 7% growth rate a year earlier. ■

GOVERNANCE GAPS POSING RISKS: S&P

The gaps in governance still pose risks to Sri Lanka's sovereign rating, making it difficult to raise finances from international capital markets at a lower cost. Between two sovereign bond issues five months apart, Sri Lanka had to offer higher premiums to borrow from international lenders.

"While the government has recently taken steps to strengthen governance, we believe current gaps in institutional capacity will pose risks to Sri Lanka's institutional and governance effectiveness," sovereign credit rating agency Standard and Poor's says. It has assigned a credit rating of B+ to Sri Lanka with a 'stable' outlook."These rating constraints weigh against the country's robust growth prospects. Factors that help Sri Lanka's growth are government investment including measures to reconstruct northern districts, the improving financial performance of public enterprises, increased tourist arrivals and declining inflation, which we expect to remain in single digits".

460 basis points: The premium for Sri Lanka's latest dollar bonds against benchmark US Treasury bonds, up from 400 basis points previously

The B+ sovereign rating reflects the country's relatively low wealth, improving but still moderately weak external liquidity, high government debt and the interest burden. A better credit rating will bring down funding costs by reducing premium interest rates paid over the 10-year US Treasury bond yields.

Last October, the government sold a $1.5 billion 10-year sovereign bond priced at 6.85% at a premium of about 460 basis points above the benchmark 10-year US Treasury bond yield at the time. Last May, sovereign bonds were sold at a lower premium at nearly 400 basis points. ■

Periscope

AUDITORS TO REPORT ON UK BANKS' CAPITAL REQUIREMENTS

The Institute of Chartered Accountants of England and Wales wants auditors to report on regulatory capital requirements of the banking sector.

"Some of the most fundamental indicators of the strength and resilience of banks are reported outside of their financial statements. The Institute of Chartered Accountants in England and Wales believes that external assurance by professional accountants could increase confidence in these key market indicators and information—and that this is of interest to us all as users of and investors in the banking system," the institute's Chief Executive Michael D. Izza said in a blog hosted by the International Federation of Accountants (IFAC).

The institute prepared a whitepaper on the subject and opened it for public comment.

"Since the financial crises began, banks have been under increasing pressure to be accountable to society and demonstrate that they are safe, both for investors and depositors. Questions have been asked of banks, their regulators, preparers, financial reporting and auditors. As a profession, we must work with stakeholders to ensure that the quality of bank reporting and auditing is high and meets society's needs," Izza said.

Regulators are demanding that banks hold more capital in case of unexpected losses. Banks have also created contingent convertible debt as a built-in way to increase their equity capital in a crisis.

"These offer investors higher returns, but come with the risk of converting into equity should a bank's capital levels drop below a prescribed percentage. These demands mean banks must increase capital, while also becoming more efficient businesses in order to continue to be profitable and pay a return to their shareholders. This creates tension and promotes capital measures as vital indicators of strength and resilience for banks."

"Less progress has been made on assurance of capital, with the UK behind many parts of the world in terms of auditor reviews of regulatory information. While there has been significant international convergence and cooperation on bank regulation, audit and assurance requirements on capital is an exception. We think the debate is internationally relevant and welcome comments from IFAC member organizations and key stakeholders."

"As a profession, we must rise to the challenge of meeting new user expectations. Developing new assurance models is one way we can do this. We cannot stand still," Izza said. ■

MALAYSIAN DIRECTORS FINED FOR FAILING TO SET UP INTERNAL AUDIT COMMITTEE

Bursa Malaysia, formerly known as the Kuala Lumpur Stock Exchange, fined the former directors of a real estate company that also manufactures batteries, 80,000 Malaysian ringgits (Rs2.6 million) for failing to allow external auditors to review the group's internal controls.

Ten directors of the Trive Property Group Berhad were publicly reprimanded by Bursa Malaysia Securities last October, and six of them were fined over failing to set up an independent internal audit committee, Malaysia's The Star reported. ■

IFAC WANTS URGENT ACTION FROM G20

The International Federation of Accountants (IFAC) submitted 12 recommendations to the G20 leaders, calling for better governance, good regulation, and fair and transparent tax regimes.

"Quite a bit has been achieved through the G20's leadership under the substantial pressures of the global financial crisis–but now is no time for complacency," said IFAC's Chief Executive Officer Fayezul Choudhury.

In a statement, IFAC said its 12 recommendations focus on good governance and regaining trust in key public and private sector structures, frameworks, and organizational and regulatory arrangements; globally consistent good regulation that enables, promotes, and does not hamper growth and good governance; resolving poor financial management, transparency and accountability that persists in many G20 countries and

beyond; and a transparent, fair and effectual international taxation system, and the need for collaboration and inclusiveness in implementing reforms.

"We're at a crucial juncture–growth continues to wane or completely elude economies around the world despite massive, unsustainable monetary stimulus since the global financial crisis. A complex, fragmented regulatory environment is emerging, and there is no clear sight of how this is impacting growth," Choudhury said. IFAC said that approximately two-thirds of respondents to its 2015 Global Regulatory Survey, a study of accounting, finance and business professionals worldwide, said regulation was having a significant or very significant impact on their organizations' opportunities to grow and innovate. IFAC wants the G20 to promote development and adopt clear principles for high-quality regulation, and issue "a clear call" for the adoption and implementation of international accounting and auditing standards.

"The public's trust and confidence in the government is at the heart of achieving robust, inclusive growth. Poor public sector financial management, accountability and transparency remain significant problems in many countries–resolving this is long overdue," Choudhury said.

IFAC want urgent changes in the public sector to protect the public and investors in government bonds, promote greater transparency and accountability, and actively encourage and facilitate accrual-based accounting by governments and public sector institutions. ■

LOW RAINFALL DAMPENS VALLIBEL POWER GROWTH

Low rainfall to catchment areas during the July-September South West Monsoon saw production fall at Vallibel Power Erathna PLC's (VPEL) three hydropower plants, dampening profit growth enjoyed in previous years.

According to an Asia Securities research report, Vallibel Power recorded net profit growth rates of 118% (to Rs633 million) in 2013/14 and 43% (to Rs905 million) in 2014/15. Profitability is expected to grow by just 4% this financial year to Rs943 million ending March 2016.

"VPEL's total power generation in September 2015 recorded a 9.7% increase from a year ago to 10 million kWh. However, total production during the September quarter fell 12.6% to 26 million kWh due to low generation, especially in August with low rainfall in the catchment areas," Asia Securities said.

VPEL operates three hydropower plants; two located in the Ratnapura District, Erathna (with a 23MW capacity) and Dewanaka (7.2MW), and one in Nuwara Eliya at Kirivanneliya (4.7MW).

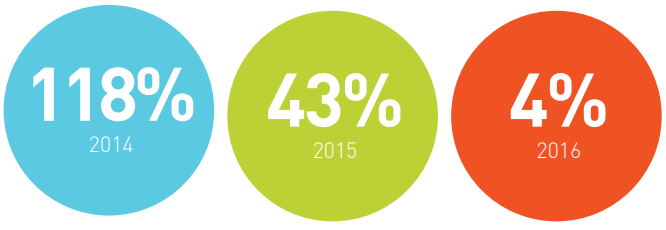
"Although the peak season of the key Erathna plant is considered to be from May to August, power generation in July to August declined 14% from a year earlier to 9.9 million kWh. However, some improvement is seen in September, with 14.5% growth to 5.9 million kWh," Asia Securities said.

The Denawaka Ganga plant recorded a 19.4% production decline during the September quarter to 5.5 million kWh. Production at the Kiriwaneliya plant fell 24% to 5 million kWh.

The nature of the business is such that the company has little control over revenue and profitability. On top of this, a lack of growth plans and an expiring power purchasing agreement of the main Erathna plant in July 2019 pose risks to VPEL, Asia Securities says. ■

POOR RAINFALL HURTING GROWTH

Vallibel Power profit growth rates in decline



Periscope

OIL PALM FIRMS TO SELL MALAYSIAN LAND, DELAY DE-LISTING

Listed companies that have oil palm farms in Malaysia are selling these lands before delisting from the Colombo Stock Exchange. Good Hope, Indo Malay, Selinsing and Shalimar are subsidiaries of listed Carsons Cumberbatch group that fell short of the Colombo Stock Exchange's 15% 'minumum public float' requirement.

Good Hope said Carsons was restructuring the Malaysian firms. Malaysia's Selangor region is seeing urbanization and industrialization and driving up land prices there. Meanwhile palm oil prices had collapsed after a commodity bubble was pricked when the US Fed stopped printing excess volumes of money. The firm wants to sell the land and distribute the cash to shareholders. At the moment, the market value of the stock was higher than the net asset value of the land. Good Hope said it had applied to the regulator to remain listed for a further two years until the restructuring was complete. Good Hope was incorporated in 1910, when the Sri Lanka rupee was fixed under a currency board and the island was a budding financial centre of the British Empire.

After independence however a money printing central bank started to destroy the currency as well as salaries and financial savings of the people. Draconian exchange and trade controls were brought in ending any hope of the island becoming a financial centre.

Singapore and Hong Kong, which have modified and orthodox currency boards instead became global financial centres. *(economynext.com)* ■

ALGORITHMS HELPING AUDITORS SEE ALL, FASTER

10% ▶ *of total transactions sampled by auditors traditionally*

100% ▶ *of total transactions open to auditors at faster speeds, thanks to algorithms*

Algorithms, software programmes replacing humans in many complex jobs for precision and speed, are becoming an essential tool for auditors, according to The Economic Times.

"While algorithm-based auditing isn't new globally, audit firms have just started introducing these software systems to India, at a time when local regulations are becoming increasingly stringent. Starting April 2016, failing to raise red flags or mentioning the exact problems they found during auditing of companies could even land the auditors in jail. Auditors rely on technology mostly in risk-based auditing. These algorithms could pinpoint the problem areas," The Economic Times said.

Big Four auditors Deloitte, PricewaterhouseCoopers, EY and KPMG have invested millions of dollars to build in-house technologies globally, and are the main players in India using 'algoaudit'.

Traditionally, auditors sampled data and looked for problems. For instance, they would go through 10% of a company's total transactions to find out about related party transactions. Now, algorithms will enable them to look all the transactions. This will give auditors a better view of risk and fraud.

Once auditors define their requirements, algorithms will help them look at even the smallest of transactions. ■

NZ AUDITORS STILL STRUGGLING TO MEET STANDARDS

New Zealand's auditors are struggling to meet minimum accounting standards, with less than a fifth reviewed by its Financial Markets Authority (FMA) characterised as "good" and the rest needing to improve, Auckland-based National Business Review reported.

Of the 38 audit files the FMA reviewed, 18 % were seen as "good" and needing limited improvements, better than the 5% of 56 files a year earlier. Some 37% of audits required improvements, compared to 59% a year earlier, and a further 45% needed significant improvements, more than the 36% in 2014. The FMA report says the files selected tended to be more complex and risky than the norm, and would show up different results from a neutral sample. It says the introduction of the regime "has had a positive impact on audit quality."

1/5 OF NEW ZEALAND AUDIT FIRMS ARE GOOD, SAYS ITS REGULATOR

According to the National Business Review, the New Zealand government introduced stricter oversight of auditors following several failures in the finance company sector. In a special report, the regulators said auditors lacked "the rigour and analytical depth one would expect for entities managing substantial public investments." ■

POPE FRANCIS ORDERS AUDIT OF CHURCH WEALTH

Holy auditors: Pricewaterhouse Coopers, Deloitte & Touche, EY and KPMG will audit the Vatican including its large basilicas

Pope Francis, 'galvanized by a scandal over Vatican finances', has ordered an audit of its wealth and crack down on runaway spending, Bloomberg reported.

Francis has set up a "Working-Party for the Economic Future" which brings together the Secretariat of State, or prime minister's office, the Vatican Bank and other agencies.

Francis has told the panel "to address the financial challenges and identify how more resources can be devoted to the many good works of the Church, especially supporting the poor and vulnerable," Danny Casey, director of Pell's office at the Secretariat for the Economy, said in an interview with Bloomberg.

The pope's initiatives come as five people stand trial in the Vatican over the leak of confidential documents in two books published last month that described corruption, mismanagement and wasteful spending by church officials. Those on trial deny wrongdoing. Francis, 78, has pushed for more openness and transparency in Vatican financial and economic agencies, but he has faced resistance from the Roman bureaucracy. The audit will look at financial investments, real estate and cultural assets. The four biggest firms are PricewaterhouseCoopers LLP, Deloitte & Touche LLP, EY LLP and KPMG LLP. Assets that would never be sold and thus have no market value -- including St Peter's Basilica, the Sistine Chapel and priceless art treasures by Michelangelo -- will be included in financial statements though the Vatican is still considering whether and how they should be valued, Bloomberg said. It said the Vatican's total assets were worth more than $3 billion. Separately, the Institute for the Works of Religion, better-known as the Vatican Bank, has €6 billion ($6.4 billion) in deposits, and assets under management and custody for clients. While Pope Francis recruiting experts from outside the Church is a step in the right direction, the pontiff may not be around long enough to see through his reforms, according to papal biographer, Austen Ivereigh. Francis has told his entourage that he plans to remain pontiff until 2020, Ivereigh said -- an indication he may then resign, like his predecessor Benedict XVI.

The Vatican can be reformed "but it will take a generation because the existing practices and mindset are so well established," Ivereigh said. "The Curia is built to resist change. Historically, it was designed to be impervious to outside influence." ■

$3 billion

ESTIMATED VALUE OF VATICAN ASSETS

$6.4 billion

ESTIMATED VALUE OF VATICAN BANK DEPOSITS & ASSETS

SRI LANKA'S HIGHER SPENDING IS CREDIT NEGATIVE: MOODY'S

Sri Lanka's continued high deficit target of 5.9% of gross domestic product for 2016 with total spending set to rise to 22.3% of gross domestic product from a recent 18–19% will be negative for sovereign credit, Moody's, a rating agency, said.

The 2016 budget set aside higher allocations for education, healthcare and infrastructure. The deficit target for 2015 was also 5.9% of gross domestic product.

"If implemented, such spending would enhance growth prospects but would further delay Sri Lanka's fiscal consolidation and add to the government's already high debt, a credit negative," Moody's Investors' Service said.

"Although Sri Lanka's deficits are down from a peak of 9.9% of GDP in 2009, fiscal consolidation has stalled, with deficits exceeding original targets in 2014 and 2015,"

"There is a similar risk of the 2016 budget deficit overshooting targets if nominal GDP growth is lower than forecast or if the government does not receive the higher tax and non-tax revenues that the budget expects."

"Moreover, even if Sri Lanka meets its budget deficit target, the government's fiscal position will remain weaker than most similarly rated sovereigns."

According to available information expenses of about one percent of GDP and a similar amount of revenue are imputed, analysts say. The budget has also proposed to raise the ceiling on sovereign guarantees for road, power, water and other infrastructure projects to 10% from 7%, while giving guarantees for public-private partnerships.

5.9%

Fiscal deficit as a percentage of GDP for 2016

A proposal to limit foreign holdings of rupee-denominated bonds to 10% of the total will have no effect since securities have already been sold down, Moody's said. The budget had a number of policy measures to boost private investment. Higher foreign investment would be good for the country's credit.

"Although these measures are unlikely to immediately produce significant revenue or growth, they signal the government's efforts to increase domestic and foreign private investment," the rating agency said.

"If the perception of greater openness to foreign direct investment translates into actual increases in investment, it would be credit positive." ■

(economynext.com)

Periscope

2016 BUDGET HAS REFORMS, BUT DEFICIT SPENDING IS HIGH: FITCH

Sri Lanka's budget for 2016 has outlined reforms that can help the economy grow, but there is no clear plan to get spending under control, Fitch Ratings said.

"The government did take the opportunity of the budget announcement to reiterate an ambitious set of economic reforms aimed at raising foreign investment and boosting the private sector's participation in the economy," Fitch Ratings said.

"If achieved, these broad objectives could be positive for the economy, especially if it reduces dependence on external borrowing to finance growth."

But there was no clear plan to improve finances over the medium term, and there are risks to meet its fiscal deficit target, Fitch said.

"Notably, the original 2015 deficit plan of 4.4% will be exceeded by a wide margin, underscoring that the government's track record of meeting fiscal targets is not strong," the rating agency said.

The full report is reproduced below:

Sri Lanka's 2016 budget provides no clear plan for fiscal consolidation over the medium term.

The absence of such a framework means that the risk of further deterioration in the fiscal deficit will remain, and high public debt relative to Sri Lanka's 'BB' group median is not likely to decline, says Fitch Ratings.

The government did take the opportunity of the budget announcement to reiterate an ambitious set of economic reforms aimed at raising foreign investment and boosting the private sector's participation in the economy. If achieved, these broad objectives could be positive for the economy, especially if it reduces dependence on external borrowing to finance growth.

Weak governance standards remain a factor for low FDI, so any improvements to the ease of doing business could enhance the economic profile over the long run

The government plans for a deficit of 5.9% of GDP in 2016, which is only a slight reduction from the 6.0% shortfall expected this year. Notably, the original 2015 deficit plan of 4.4% will be exceeded by a wide margin, underscoring that the government's track record of meeting fiscal targets is not strong. Fitch believes there are risks to the government being able to meet its fiscal deficit target, especially considering the trend in revenues in recent years. General government revenues have been declining consistently since 2010, a key weakness in the sovereign's credit profile. Revenues had fallen to just 12.3% of GDP in 2014, far lower than the 'BB' median of just over 25%.

This latest budget does little to address the revenue issue directly.

Inability to raise general government revenues are related to structural weaknesses in tax administration and collection. As such, it is notable that income tax collections are estimated by the government to decline by 6.4% in 2016. The government does expect total tax revenue relative to GDP to rise in 2016 and overall revenues to jump by 38% versus 17% in 2015, but a large share of this increase comes from nontax revenues.

Much of the increase in non-income tax revenues is likely to come from external trade taxes, which should rise 44% to account for 23% of the total tax intake. This assumes a strong global trade environment, and underscores budget assumptions for rapid GDP growth.

High GDP growth has been a positive factor for Sri Lanka's credit profile. However, Fitch believes that the budget's assumptions may be overly optimistic. The budget expects GDP growth to accelerate to 7%-8% in 2016 from expected growth of 6% in 2015, while Fitch forecasts growth of 6.4% in 2016.

Expenditures will add to Sri Lanka's fiscal challenges; total expenditure is likely to rise to 22.3% of GDP from 19.1% in 2015. Major increases in public investment in education, infrastructure and healthcare could lead to an increase in the general government deficit over the near term, while the benefits to fiscal accounts over the medium term are unclear. ■

(economynext.com)

BIMPUTH FINANCE NEEDS TO WATCH AGGRESSION

Bimputh Finance PLC's loan book is expanding aggressively and needs to maintain effective management as low-cost funding trickles in, a rating agency says.

"The company has adequate risk controls in place, including through product structuring, regular collections of dues and close interaction with borrowers. However, the aggressive expansion of the company's loan book raises the likelihood of asset-quality deterioration, particularly if related risks are not well managed," Fitch Ratings Lanka said, assigning a BB rating on the non-bank finance company.

The company's loan book expanded 31% from a year ago during the June quarter after ending the 2014/15 financial year last March with its loan book surging 213%.

About 78% of Bimputh's loan book is from the microfinance segment, which is seen by Fitch as riskier in nature due to this segment's greater susceptibility to economic cycles. The company's gross non-performing loan ratio for loans that are six or more months past due stood at 0.96% at end-June 2015. "Fitch believes that the ratio is higher at 3.2% if a facility to Sevanagala Sugar Industries Limited (an entity within the Daya Group, which was expropriated by the government in November 2011) is included, but the ratio is in line with similarly rated peers".

Fitch says the finance company's deposit base remains weak. Bimputh's loan-to-deposit ratio increased 289% at end-June 2015 from 184% at end-March 2014, with the company's loan book being increasingly funded by borrowings. Bimputh's Tier 1 regulatory capital ratio declined to 21.6% at end-June 2015 from 23.8% at end-March 2015. "Continued high capital consumption could lead to further deterioration in capital ratios if internal capital generation proves insufficient or if there is no capital injection," Fitch says. The company's return-on-assets stood at 9.8% after the June quarter, and Fitch says this is better than for similarly rated peers, but "higher operating costs due to branch expansion and a potential increase in credit costs could hamper profitability", Fitch says. ■

PABC'S PROFITABILITY IMPROVING DESPITE RISING FUNDING COSTS

Improving interest margins will see Pan Asia Bank PLC (PABC) profits grow nearly threefold over the medium term to Rs1,276 million in 2017 from Rs415 million in 2014; but rising funding costs will pose a challenge, Asia Securities says in a report.

During the first nine months of 2015, the bank reported net profit of Rs751 million, up 171% from a year ago. Net profit grew 197% to Rs301 million during the third quarter alone.

"This was the third consecutive quarter the bank had recorded a three-digit growth rate. Above average loan growth, healthy margins and asset quality, continuous improvement in cost structure, and service quality are major contributory factors to growth," Asia Securities said. The bank's shares were trading at Rs28.3 by the end of October.

PABC's loan book grew 38% to Rs70.7 billion from a year ago, exceeding the industry average, and non-performing loans fell to 5.4% from 6% of total loans in 2014. The deposit base increased 24% to Rs77.4 billion, but with fixed deposits growing 30% to Rs50.3 billion, the bank's cost of funds has been on the rise, Asia Securities said. Net interest income grew 55% from a year ago to Rs2.9 billion at the end of the third quarter, driven by strong credit growth.

▲171%
:PABC NET PROFIT GROWTH

▲38%
: LOAN BOOK EXPANSION

▲24%
:GROWTH IN DEPOSITS

Net income is expected to reach Rs1 billion by the end of 2015, up 36% from a year ago, and increase to Rs1.2 billion by 2017.

"All major financial services are expected contribute to grow together, with improving cost efficiencies due to PABC growing from a low base."

The bank has struggled to maintain minimum regulatory capital requirements to match its growing loan book, which resulted in Fitch Rating Lanka downgrading the bank's BBB rating outlook to negative. The bank's tier 1 capital stood at Rs5.5 billion at the end of September 2015, and the Central Bank has given PABC until 2018 to comply with a minimum capital requirement of Rs10 billion. All banks were required to comply with this requirement by January 2016. ■

By
Devan Daniel

A glimpse of the mega city

Senior officials of the Ministry of Megapolis and Western Development talked to Abacus about the idea and vision behind the megapolis to be developed combining three districts in the Western province, with Colombo as its commercial centre

The Western province, with just 6% of the country's total land extent, is home to 28% of the population and generates nearly half of the country's gross domestic product.

Plans for a mega city combining the three districts of the province, Colombo, Gampaha and Kalutara, will be finalised before the end of this year and will create special zones for industries, aviation, logistics, science and technology, and plantations, with Colombo as the commercial centre. At the heart of the megapolis project is making the mega city the most liveable place in the region, with the best possible living standards and equal economic opportunities for the people living in the three districts.

Better transport links are expected to make the city efficient and business-friendly. Facilities for residents will create vibrant, liveable and environmentally friendly neighbourhoods.

Two industrial zones are demarcated around the cities of Horana and Mirigama where land is plentiful, an aviation zone is proposed around the island's main airport, luxury housing around lakes and other water bodies, plantations at the Eastern edge where tea and rubber are grown, and a forest zone in the Southern end to protect plants and animals.

The draft plans include new infrastructure like a highway from the Southern end of the mega city, connecting its Eastern edge with a forestry zone, two industrial zones and a plantation zone with the aviation zone in the northern end. Many roads from the city centre will span out linking with the existing outer circular road and the new outer connectivity highway lying beyond. A new law will be introduced soon to convert the Megapolis planning office, which is currently a department under the Ministry of Megapolis and Western Development, into a government authority. Singapore's state-run Housing Development Corporation's urban planning consultancy, Surbana, is helping design the mega city. With the population in the province expected to nearly double by 2030, urban planning, let alone a mega city, will have social, environmental and commercial complexities that planners would have to deal with. To address these, a steering committee has been appointed to advise the Megapolis ministry, and the authority will include the senior-most officials from the city planning Urban Development Authority, investment promotions agency BOI, the Central Environmental Authority, the Central Bank and an Additional Secretary from the Prime Minister's office.

At the heart of the megapolis project is making the mega city the most liveable place in the region, with the best possible living standards and equal economic opportunities for the people living in the three districts

The mega city plans, which will be finalised before the end of this year, will include immediate steps to ease traffic congestion in Colombo where 1.5 million people enter daily. It will also include detailed investment opportunities in infrastructure and new industries. Secretary to the Ministry of Megapolis and Western Development N. Rupasinghe and Additional Secretary Madhawa Waidyaratne shared their vision for the megapolis, and gave us a glimpse of what the yet-to-be finalised plans will look like.

How did the idea to include the entire Western province into a single megapolis germinate?

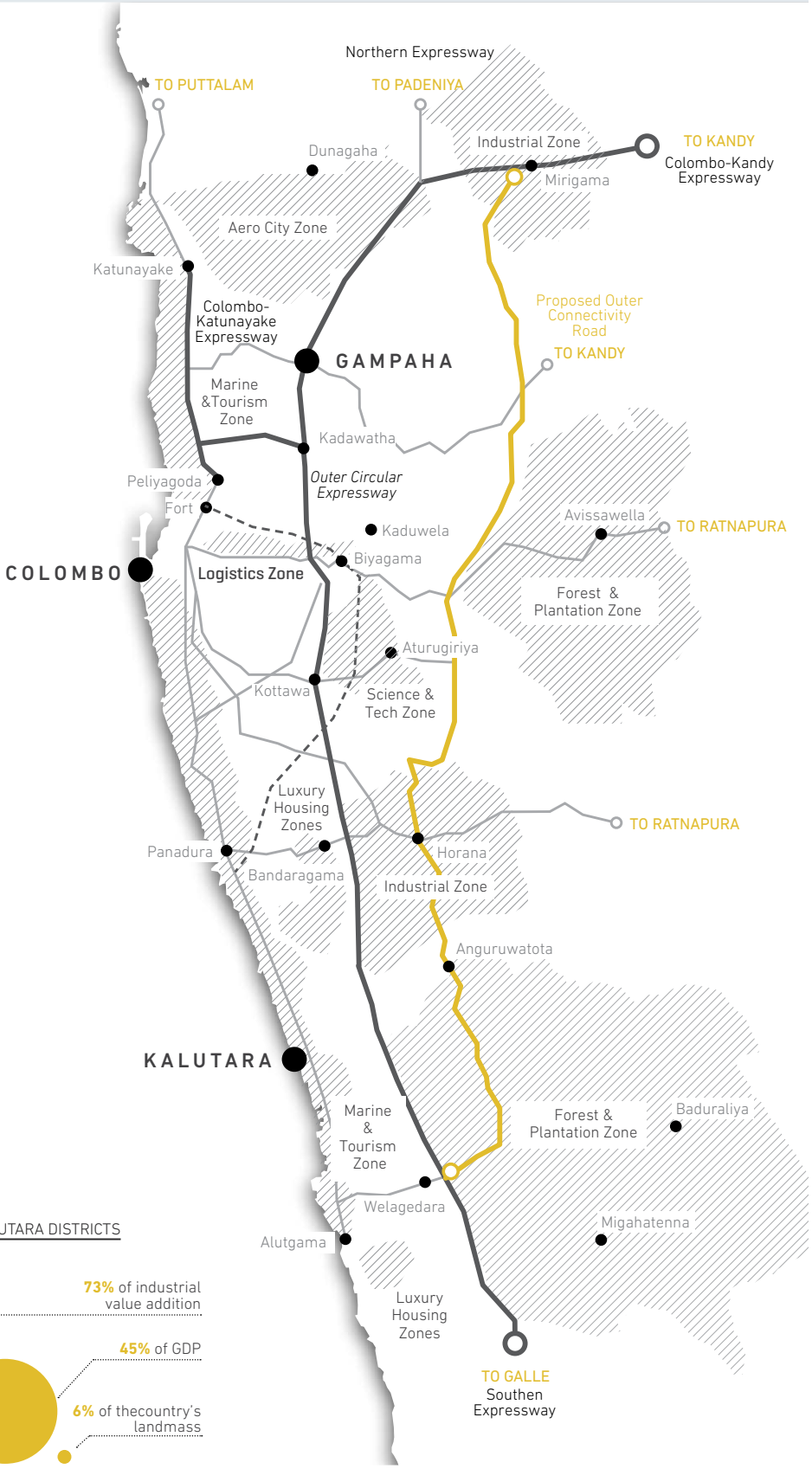
Rupasinghe: There were many master plans for the development of the city of Colombo over the years. One such plan was to develop Colombo into a mega city or megapolis, and the idea was first mooted in 2002 by the UNP government. Singapore's city planners were consulted for the project and they did some preliminary work before the government changed. The megapolis idea was forgotten. Since then, various development plans were drawn up and implemented in an ad hoc manner. The consensus government, which includes the UNP, revived the megapolis plan in early 2015, with one big change from the 2002 plan—the megapolis will include not just Colombo. The three districts in the Western province, Colombo, Gampaha and Kalutara, will be developed into one mega city. While Colombo will remain the financial, commercial and administrative hub, there is a reason why we have

Perspective

included the districts of Gampaha and Kalutara. The population in the Western Province today is around 5.8 million and is growing fast. We need to create a vibrant efficient city that will realise the aspirations of nearly 9 million people that will call the Western Province their home by 2030. Ad hoc approaches to urban development will cause social and environmental problems, and this is why we are going for a carefully planned development approach, which is the megapolis.

A special division has been set up within the Ministry of Megapolis and Urban Development called the 'Western Region Megapolis Planning Project', and for the past five months, we have brought together local experts and academics around urban development, the environment and transportation to develop a master plan, which should be completed by the end of 2015.

Waidyaratne: We've seen many urban development plans in the past, but none of these gave much thought to social development and the environment–the focus has always been on infrastructure, and this must change.



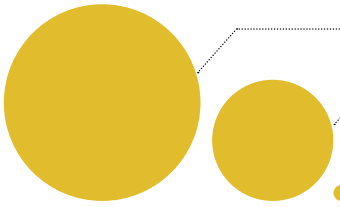
Existing roads — Expressways
Proposed Outer Circular Railway Line
Proposed Outer Connectivity Road

WESTERN PROVINCE: GAMPAHA, COLOMBO AND KALUTARA DISTRICTS

Population: 5.8 million to increase to 8.5 million by 2030

1.5 million people commute to Colombo daily

Per capita income: $3,800, nearly 1.6 times national per capita income



73% of industrial value addition

45% of GDP

6% of thecountry's landmass

If you look at human settlements or urban regeneration, it's not a case of moving people from one place to another. We have to look at developing and sustaining livelihoods, and providing better living conditions with good education and better healthcare facilities. The megapolis must not just add to GDP growth, but make people happier and keep the environment green. The megapolis is not just about buildings and transport infrastructure, but a place where people can live happily. We have looked closely at Bhutan's Happiness Index and will try to incorporate some its principles into the megapolis plan.

Do you have timelines for the megapolis?

Rupasinghe: We haven't finalised the plans yet, so we don't have specific projects and timelines. However, the planning process is in a fairly advanced stage, and we have an idea about what we hope to achieve and we have identified some short- to long-term goals.

Short-term goals include finding solutions to Colombo's congested roads and waste disposal. Top professionals and academics in these areas are helping us identify and design plans to fast-track solutions. The traffic problem will be at the top of our list of short-term priorities.

Waidyaratne: Creating an efficient transport system will obviously need more than a quick fix for Colombo traffic. There are medium to longer term goals for transport. We need to know the best options. For example, there are seven corridors via which people and goods enter Colombo. We can't have a one-size-fits-all solution. Each corridor will require different technologies–electric rail may suit one corridor but not another, the same goes for monorail and others. Integrating all these solutions will be our job. We will design the solutions, and then we will invite investors to develop them.

We are not going to get involved in the implantation. We only do the macro-level planning and land-use planning. We are the policy making body. No government body or local authority can do anything without our approval–they will ofcourse implement their own projects; we will only make sure they stick to our guidelines and the megapolis plan.

What will the megapolis look like? Is it all skyscrapers and roads?

Rupasinghe: We will create zones along economic functions; there will be a zone where government administration is centralised; a commercial hub in Colombo; two industrial zones; zones for tourism, maritime, aviation and logistics; plantations will get a zone too; and forests and wetlands in the Western province will be protected by the creation of conservation zones. We hope to follow this model in developing Kandy, Galle, Jaffna, Anuradhapura and Trincomalee parallel to the Western region megapolis.

We are developing the megapolis plans so that we don't have to relocate people and cause them pain, but we will have to shift institutions around. For example, all government ministries and offices will be relocated around Kotte

-Waidyaratne

Waidyaratne: We will develop cities in the Western province as urban and suburban centres. For example, Ratmalana, Moratuwa, Kerewalapitiya, Kaduwela, Kadawatha and Kottawa will be developed as suburban centres. These will have residential facilities, good schools and hospitals. The problem right now is that good schools, hospital and services are centralised in Colombo. We need to break this mould. Sri Lanka's middles class has expanded over the years, but good schools, hospitals, and entertainment and recreational facilities are concentrated around one place, Colombo.

Rupasinghe: We are developing the megapolis plans so that we don't have to relocate people and cause them pain, but we will have to shift institutions around. For example, all government ministries and offices will be relocated around Kotte. We will have to shift the Manning Market to Paliyagoda. The prison in Borella will have to be shifted as well. All this will help us release land for commercial use, and these are some of the short-term goals.

Like I said, developing transportation with electric trains or monorail will be long term in nature, but the short-term goal is streamlining traffic routes. Waste management also will have short-term and long-term plans. It's a matter of chain management. Some things will require short-term focus and others will need a more long-term view. We haven't finalised plans yet, so we really don't know what we have to do. We are busy consulting experts and various other stakeholders; this is a participatory approach to planning. We have met local engineers and architects, medical professionals, the Chartered Institute of Accountants, the Town Planners Association, and business chambers.

Waidyaratne: Just to say something about the zones - Modera to Wellawatte will be a maritime

Perspective

zone with the Colombo Port at its heart. The port ranked number five in the world at one time, today, it's somewhere in the thirties. Singapore was once a fisheries harbour, but today it is the second-ranked port in the world. Colombo is located in a much more strategic location and we are working closely with the Asian Development Bank to unlock its potential. Nothing is finalised yet, but once we identify the zones and establish land-use policies, we will make them public. All development activity after that will have to be confined to the criteria for each zone. For example, there will be no factory buildings developed in the maritime zone, there can only be transhipment facilities, container yards, hotels for short stays and entertainment facilities for merchant seamen calling to Colombo. A zone around Avissawella will develop the plantation industry already there. A forest zone in Kalutara will be protected, as will water bodies and natural sites located anywhere in the province. Two industrial zones will be developed in the Gampaha and Colombo districts, where heavy industry will be concentrated to minimise the environmental footprint.

We will not relocate private establishments, existing residences, schools and hospitals, but we need to develop better living conditions for people. When we do relocate, it will only be the slum dwellers for whom decent housing will be provided. We can't just change the entire city; the idea is to relocate functions while upgrading the living standards of people working in each of the zones.

Where will the funding for the megapolis come from?

Rupasinghe: We don't envisage the government spending on implementing the megapolis plan. This will be the role expected of the private sector. Singapore's city planners are helping us develop the megapolis plan. They have been working with us for several years, since 2002 in fact. Once the land-use plan is finalized, or the physical zoning, we will get the overall strategic environmental assessment. Thereafter, legislation will be passed and all development projects after that will have to adhere to the legislative requirements for each of these zones. Businesses will not be required to carry out environmental impact studies for new projects, because this will be done by us for each zone.

Waidyaratne: People have to go to various institutions for approval when they want to implement a building project. But with the megapolis project, a statutory body will be created to be a one-stop shop for project approvals. The Western Region Megapolis Planning Project will be made the megapolis authority.

We don't envisage the government spending on implementing the megapolis plan. This will be the role expected of the private sector

- Rupasinghe

As long as a project conforms to the purposes of each zone, we believe red tape will no longer exist. This will help us attract private investments to develop infrastructure for the megapolis. There will be opportunities for public-private partnerships too.We also plan to streamline public services. Today, the telephone utility will dig up a ditch, and once they cover it up, the drainage board will dig it up again. What we intend to do is cut this kind of inefficiency and waste. All work in the Megapolis will be coordinated, local authorities will have to get our approval if they want to start an infrastructure project; everyone will have to stick to the plan. They have been asked not to commence new projects without consulting us.

The megapolis is a huge project, probably the biggest single development project in the country's history. Surely there are challenges thrown your way?

Waidyaratne: The challenge is to get committed and competent public officials to drive the megapolis planning project, which will be converted to a statutory body to ensure that a government change does not derail the development of the megapolis. Developing monitoring capacity will take some time. We had to build this ministry from scratch and we had to headhunt from the public service.

We had to find people with knowledge of urban planning, power and energy, transport, water supply, and drainage and waste management. This was not easy. We managed to put together a competent team, but we are still looking for people. We can't tap the private sector because the salaries in the public sector are not attractive, but they are very much part of the consultation and plan formulation work.

Rupasinghe: As far as the megapolis is concerned, the policy direction is very clear. We have a very clear mandate. Whichever government comes to power, urbanisation is a phenomenon that cannot be ignored. We are in the process of drafting laws for a megapolis authority and hopefully it will be ready for parliament soon. ■

DAVID AVRIN,
AUTHOR AND
CONSULTANT

Visibility is essential in the 'NEW NORMAL': a marketplace populated by great companies

One of the greatest services CAs can do for their clients is to help them be successful and not just keep them out of trouble, says **David Avrin**

BY **VINOD MOONESINGHE**

David Avrin is an author and consultant (www.visibilitycoach.com and he may also be followed on social media) from Denver, Colorado. However, he says, most of his time is spent speaking to audiences of chief executives, entrepreneurs and sales professionals about creating and communicating competitive advantage. The 20th country he has spoken in professionally is Sri Lanka, when he addressed CA Sri Lanka's Strategy Summit 2015.

You speak about the need for creating visibility?

It is a twist on the well-worn phrase in business - "It is all about who you know". I say "No, it is all about who knows you". I think the biggest challenge in creating visibility is more a foundational one. It really gets back to the core of "why are they a better choice than other good choices in the marketplace". We are at a very interesting time in human history: arguably, for the first time ever, everybody is good. There were good companies and bad companies, good products and bad products, but bad products and bad companies can't survive any more. All those years of quality improvement initiatives – Six Sigma, Total Quality Improvement, CQI and TQM – have worked. Around 7-8 years ago, at very challenging economic times around the world, with financial markets drying up, amid real challenges, companies that weren't smart, weren't strategic, didn't form strategic alliances and synergistic partnerships, and didn't make hard and painful cuts in their organisations by streamlining their operations are either not around anymore or have been reduced to such an extent that they are no longer meaningful competitors. What is left, the "New Normal" as I define it, is a marketplace populated by great companies. They are smart, lean, have already made the hard cuts and are just another choice. Instead of making a good case for why you are a good choice, you can make a really compelling case as to why you are the better choice than all the other good choices. One of the biggest mistakes I see in companies trying to seek visibility is forgetting that their prospects have a lot of choices, and that all other competitors are saying the same thing. We fall into these traps. We talk about our quality, commitment, caring, people, trust, honesty and integrity. Everyone says it and it doesn't mean anything anymore. The real opportunity companies have is to recognise where they make the same claims as their competitors; the smart companies are the ones that step back and say "what can we say different, or what can we claim differently?"

One of the biggest mistakes I see in companies trying to seek visibility is forgetting that their prospects have a lot of choices, and that all other competitors are saying the same thing.

This visibility works. It is not, as for most companies, just noise.

How does a company identify what is going to increase its visibility?

First of all, it is a real clear intention on the part of the company as to who they want to be. What do they aspire to? Sometimes clients say "we want to be a strong supply chain, strong operations and strong financials." That is not what you aspire to, that is required, the cost of doing business! Where do you want to be two years from now? where do you want to be five years from now?" Tangibly, "we want to be the leading authority in the marketplace for X", "the go to resource for Y" or "top of mind, best choice for Z". That is a clear vision of what you want to be. What is missing is "what do we need to do to get there". Once you have a clear consensus in your organisation of what you want to be, measure every initiative, geographic expansion and extension you consider embarking on against that. Ask companies if they have criteria for what they say 'no' to. Is it because it doesn't fit "who we want to be"? Ask the question, "It is a great idea. Is that going to get us closer to our goal?" If it is not, perhaps do it next year or not at all. With clarity on what they aspire to, they can align their hiring, training, research and development towards that. So step one is to have a really clear idea. The second is to make sure that they are worthy of being talked about as an organisation. Seth Godin, in his great book Purple Cow, talks about a person being remarkable, in the sense of being worthy of being remarked about. In yesteryear, as long as we had great quality, the rest would take care of itself, but not anymore. They have to be doing something that makes people talk about them to somebody else. It could be anything from a unique proprietary technology to a unique persona, or more locations.

Could you elaborate on this?

For me, it is about the language. We want to stand out, but we say the same things about our quality, commitment, caring and trust. I ask, "How are you going to compete if you don't know what your competitors are saying? Because your prospective customers are hearing from everyone." If you look the same, you might be much better, but you are saying the same thing. I encourage them to do a side-by-side comparison. An exercise they can do is to take all their promotional material, everything they have written about themselves like brochures, catalogues, advertising and website pages, and print them out and spread them

DAVID AVRIN ADDRESSING THE CA SRI LANKA STRATEGY SUMMIT 2015

out over a large table. Then go secret shopping, get all the same material from their next three competitors - their ads, brochures and promotional materials - and spread it out. Give your staff highlighters and marker pens, and get them to walk around and mark the similar things. Most companies are stunned: they think their competitors stole their language because they are saying the same things! 'Our customers come first', 'we use only quality ingredients' and so on. Then they see the real opportunities. What can we really do to stand out that nobody else is doing? They must promote themselves as top-of-mind. Their biggest competitor, the biggest challenge companies have in business is not their competitors, but anonymity. If people don't know or don't remember who they are, they can't buy. There is a reason why big companies like MacDonalds and Coca-Cola spend hundreds of millions of dollars on marketing. We know who they are. It is what is top of mind when we are ready to buy.

Do you have any practical examples?

I ask audiences "I want a safe car. I am an old guy. I don't need to be flash. I need a really safe car. What do I buy?" You get a Volvo. A Volvo is the safe car; it is known for that. There was a time in the late 60s to early 70s that they did some really amazing safety innovations. Everybody is good now. Do you think a Volvo is safer than a Lexus or a Mercedes? Of course not. They all use the same things. But there was a time when they were really doing something nobody else was. So for the right people, for whom safety was number one, they were the best choice. Today, they are trying to shed that image, to be more of a sports car; they have in-

For me, it is about the language. We want to stand out, but we say the same things about our quality, commitment, caring and trust. I ask, "How are you going to compete if you don't know what your competitors are saying?

Because your prospective customers are hearing from everyone."

novated, but they are not known for that. If a company is going to say, we want to be known for the best customer service, then the structure had better support the vision. They had better create processes and systems that help them deliver and evaluate customer service, not because they have passion or they say they want to do it - a lot of companies give lip service to those kinds of things - but you have to create some structure behind it.

You need to empower your frontline workers, you need to have a better return policy; for companies, those are some of the most important things. You must do something different. If they have a really clear idea of who they want to be in the market place, then there are three questions they must ask: What do I need to start doing that I haven't been doing before? What do I have to stop doing? What do I need to keep doing?

I am a big believer that companies and professionals need to be known as the best choice for one thing. It doesn't mean they can't offer a broad spectrum of products or services.

Of course they can, but they have got to win on something.

How does this apply to CAs?

Look at it from this perspective: everybody who is a chartered accountant passed the test. So why them? For accountants, there has got to be a reason besides the advantage that perhaps somebody with more hair has! Half the accountants could disappear and the marketplace wouldn't miss them, because these other people have the same education. When they get out of school, they have to realise that every other CA is as qualified. So they have to think about something different.

Perhaps they have specialised in a particular profession or a different geographic area, or they are going to do accounting services for physicians. It has to be a better choice, a safer choice. For students, it is tough, they are just starting out. They don't have a lot of grey hair. I am going to have to trust someone who just got out of school. They have to find some way to stand out, perhaps be more aggressive in their marketing.

Do you think what you are saying should be included in CASL's curriculum?

Absolutely. Because what they often do with many professions, especially professional service providers, is that they teach them the skills to do the work. They just don't teach them how to get clients. I don't know exactly what is taught in schools here, but in America they are very good at teaching them skills, but not very good at teaching them how to build a business. They are actually good at helping their clients build businesses, but not very good at building their own. Having a good marketing mindset actually helps them in the work they do for their clients as well. Accountants count the numbers, but where are the numbers coming from? Sales have to come from somewhere. Somebody who is buying from their clients is making a conscious decision not to buy from somebody else. For CAs to be true trusted advisers, they must understand not just the business model, but whether they make money and why.

The institute is trying to instil in the profession that they are doing more than merely the history, they have to project forward.

Not looking just at the rear-view mirror, but also through the windscreen. Part of that is understanding why people buy and never forgetting that they have choices. It is a competitive marketplace, not only for accountants building their businesses, but for clients as well. They are making the decision "I am going to buy it, I have a need, I have ten choices, why should I buy it from you?" I think one of the greatest services CAs can do for their clients is to help them be successful, not just keep them out of trouble - to act as one of those people who steps back and says "here is feedback, what I would think as a customer". I am a big believer that companies and professionals need to be known as the best choice for one thing. It doesn't mean they can't offer a broad spectrum of products or services.

Of course they can, but they have got to win on something. They have got to be the answer to that question. Someone asks "where do I get the best information about what is new and innovating in the accountancy industry?" They will probably say the name of your publication - "Have you seen the latest edition of Abacus? You want to know what is going on, these guys have their fingers on the pulse." What are you winning on? Being known as the best there is. A strong brand. Your brand is your reputation. ■

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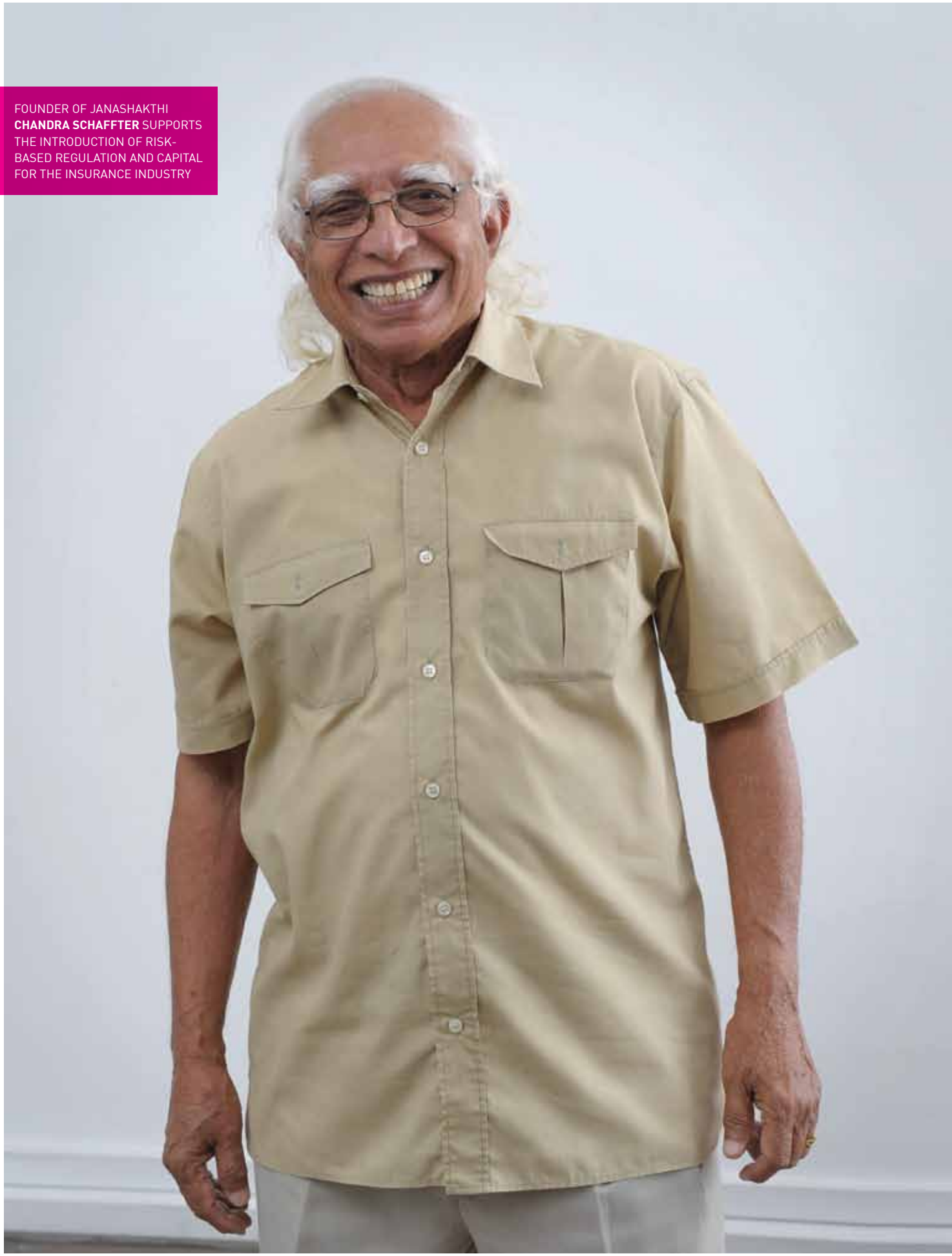

FOUNDER OF JANASHAKTHI **CHANDRA SCHAFFTER** SUPPORTS THE INTRODUCTION OF RISK-BASED REGULATION AND CAPITAL FOR THE INSURANCE INDUSTRY

Interview

The regulation of the insurance industry

Founder and Director of Janashakthi Insurance Chandra Schaffter has seen the industry transform from a controlled government-dominated one to a freer private sector-driven one. He is, however, critical of the regulatory changes that he says are eroding efficiency

By **AVANTI SAMARASEKERA**

The insurance industry is being reshaped by two regulator-driven initiatives - the introduction of risk-based regulation and a requirement to separate the life and non-life businesses - are being challenged by the higher operational and capital costs of this move, according to an industry veteran.

In line with the provisions of Section 53 of the Regulation of Insurance Industry (amendment) Act No. 03 of 2011, the Insurance Board of Sri Lanka (IBSL) mandated all composite insurance companies to split their life insurance business from their non-life business (also called general insurance) by February 2015. In January 2015, the IBSL granted licenses to seven new firms created by this segregation: AIA General Insurance Lanka, Amana Takaful Life, Asian Alliance General Insurance, Cooplife Insurance, HNB General Insurance, Janashakthi General Insurance and Union Assurance General. Five insurance firms were exempt from the requirement to split their businesses because they were too small or state owned.

INTERVIEW
Chandra Schaffter

Through the years

JANASHAKTHI INSURANCE HAS COME A LONG WAY SINCE INCEPTION TO BE ONE OF SRI LANKA'S PREMIER INSURANCE PROVIDERS.

1992
Janashakthi Life Insurance Company was registered

1994
Janashakthi Life received its insurance license and commenced operations

1995
Janashakthi Life had an island-wide network of 69 area development offices (excluding the inaccessible North and East) September – Launch of Janashakthi General Insurance

1996
Janashakthi General had issued 21,000 policies and registered a turnover of Rs209 million – a record for a new insurance company in general insurance

2000
Janashakthi Life and Janashakthi General merged to form Janashakthi Insurance Company Ltd

2001
Janashakthi Life obtained the ISO 9001 international service quality accreditation, and the company's premium income exceeded Rs1 billion for the first time

Janashakthi Insurance Founder Chandra Schaffter asserts the move has now made the playing field uneven by denying the scale advantage that insurance firms had before they were forced to split their businesses. Higher costs erode profitability and make capital more expensive too. "I don't think it brings any benefit; it just increases the cost to the insurer and makes life more difficult for companies," he says about the move to separate insurance businesses according to their function.

However, Schaffter supports the introduction of risk-based regulation and capital for the insurance industry.

The segregation has created 14 smaller insurance firms out of seven that existed previously. Firms had the option to either establish a separate company for the unit they were spinning off or set up a holding company structure.

Schaffter argues that the insurance regulator didn't offer a compelling enough argument for the policies aside from enforcing them. However, all large privately owned composite insurance companies have now split their life business from the general insurance units. Janashakthi was one of the first firms to split into two separate legal entities. It now has two head offices for the two separate firms. However, a few services are shared despite the split.

Industry-wide cost increases have to ultimately be passed down to policyholders. This makes insurance unaffordable in a market where penetration is still low.

Insurance is a business of pooling risks. Insurance policyholders make a payment to a collective fund that pools their risk with similar risks faced by other contributors to the fund.

Some of those risks the fund underwrites actually occur and a chunk of the fund is used to cover the losses of those unlucky contributors. The part of the fund leftover has to pay for the cost of running the firm and the rest is the profit. This is how general insurance (or all non-life insurance) works.

Life insurance is also a pool of risks. However, it's also a savings product because a life policyholder outliving the duration of the policy gets his/her money back plus some interest. Insurance firms make profits on life insurance by the returns of investing life policyholder funds in long-term assets. The insurance regulator here ruled that firms must split their life from non-life businesses because the two are fundamentally different in their risk profiles, operational challenges and capital requirement, hence, the regulatory approach was needed.

The market for risk, which is the business of insurance, is also changing. The two forces driving this change is complex regulation, which Schaffter also recognises as onerous, and the technological change. The regulator's growing role isn't limited to the Sri Lankan insurance industry. Globally, capital requirements and risk rules that determine these levels have been tightening. Bank capital requirements are governed by the BASEL rules, which introduced risk-based capital to the sector.

Technology will be the other disruptive challenge for the sector, because of its ability to alter the dynamics of pooling disparate risks. Often, insurance pools high risks with lower risks, pricing both at similar rates. Such an arrangement is advantageous for the party facing the higher risk over others. However, technology and analysis of data is making it possible

2002
Janashakthi Insurance became the first private Sri Lankan insurer to set up an overseas branch in the Maldives

2002
An MoU between the government of Sri Lanka and the LTTE led to a ceasefire. Janashakthi Insurance was the first private insurance company to set up a branch in Jaffna

2006
Prakash Schaffter was appointed as managing director of Janashakthi insurance

2007
Janashakthi General obtained the ISO 9001:2000 certification

Janashakthi partnered with global reinsurance giant SCOR

2004
Janashakthi Insurance paid Rs5 billion in tsunami-related insurance claims

Launch of Janashakthi Full Option (motor insurance)

2008
Janashakthi Insurance went public (IPO opened on 16 June, and was oversubscribed by noon – sold a total of 33 million ordinary shares and raised close to Rs400 million)

2009
May - Regulators slapped Janashakthi with a three-week suspension of its operating license due to alleged non-compliance of the solvency ratio, which occurred because the Insurance Board of Sri Lanka (IBSL) disallowed the inclusion of a category of assets that the company had maintained for solvency since 2006

to gauge individual risks more precisely. This will narrow and even eliminate the cross subsidy that now benefits high-risk policyholders. Insurance firms will have to smarten up as personal data grows, and firms are then able to distinguish the lower risk from the high risk.

High insurance penetration is beneficial for any economy. First, because risk awareness drives low-risk behaviour like policyholders adopting healthy lifestyle habits, drivers trying to benefit from no claim bonuses and building owners installing systems to minimise fire damage because those reduce the premium. Second, insurance is beneficial if disaster should strike, helping those affected to quickly get things back together.

The insurance industry is regulated and supervised by the IBSL, set up by the Regulation of Insurance Industry Act in 2001. The main objective of the board is to ensure that insurance in Sri Lanka is transacted with integrity, in a professional and prudent manner, and safeguard the interest of policyholders.

In 2014, the industry transitioned from the Rule-Based Capital regime (Solvency margin method) to a Risk-Based Capital (RBC) regime. The RBC model has implications on the tax presentation.

From the first quarter of 2014, Sri Lankan insurers were required to meet risk-based capital requirements and report this in their quarterly reporting, alongside reporting their solvency. The solvency margin method requires general insurers to meet the solvency margin/capital adequacy ratio (computed based on the difference between the value of the assets and the value of the liabilities), while the RBC regime sets a minimum capital requirement for an insurer to support its operations and provides coverage based on the level of risk. The IBSL plans to fully implement the RBC regime in 2016 to supervise the country's insurance industry. According to the regulator, the implementation of the RBC regime would increase transparency and prevent regulatory oversight, establishing a better risk management system.

While Schaffter supports risk-based capital regulations, he is concerned about the impact of "a number of policies being loaded on the insurance industry in one go".

Before Janashkthi entered the market, there were just five companies in operation, an underpenetrated market and a significant number of customers. Recognising the opportunity for a sixth insurer in the market and having significant industry experience, Schaffter felt it was the natural next step to start Janashakthi Insurance. He had done his time as an agent, a principal agent, a broker and a consultant; it was the natural progression, he says. Today, there are three times as many firms and, "the market is overcrowded and the customer slice is significantly slimmer," he observed.

One of Sri Lanka's oldest organised industries, the first insurance firms commenced business 67 years ago when the island was British occupied. A few well-known foreign companies such as Sun Life Insurance Co., Royal Assurance Co. and New India Assurance Co made up the market at the time. The government in 1961 acquired these firms, creating Sri Lanka Insurance Corporation (SLIC) as the sole life insurance firm.

INTERVIEW
Chandra Schaffter

General insurance came into the picture in 1964.

SLIC operated as the sole local insurer for about 18 years, until the government incorporated the National Insurance Corporation (NIC) in 1980 to create competition. Because of the firms' appallingly lack of interest in customers and government price controls on general insurance premiums, insurance penetration remained low and the need for private insurance firms to enter increased.

It was only in 1986 that the amendment of the Control of Insurance Act opened the sector to the private sector. The three private insurance firms that were first setup were Ceylinco Insurance, CTC Eagle Insurance (now AIA Insurance) and Union Assurance. Thereafter, the NIC converted to a private firm in 1993, while the SLIC continued in government control as a limited liability company and was in private ownership for six years starting 2003.

"If you shine in your particular field, there is far more opportunity for advancement in insurance. But you have to apply yourself,
do your exams and learn your business thoroughly." *- Chandra Schaffter*

Other private sector firms also entered the industry including Janashakthi Insurance PLC, Asian Alliance Insurance and HNB Assurance. Today, there are 22 firms including multinational firms like Allianz Insurance Lanka and AIG Insurance. By 2014, of the 22 registered insurance companies, 12 were composite companies that deal in both general and long-term (life) insurance, seven carried out general insurance and three engaged only in life insurance. The insurance industry's rate of growth declined in during 2014. Gross Written Premium (GWP) grew 3% and total assets increased 13% when compared to the first half of 2013.

Chandra Schaffter took his first insurance industry job just four years after Sri Lanka gained independence, in 1952. According to the stalwart, it wasn't his career of choice, but desperation. "I couldn't get a job, so I took the one that I could get." But it was a hand fits the glove story, as Schaffter ended up sticking to his chosen career. He was honoured with the Asia Insurance Review Lifetime Award, which recognises and salutes excellence in the insurance industry since 1997, at the Asia Insurance Industry Awards 2012. Schaffter founded Janashakthi Insurance after a short stint at Eagle Insurance, where he helped set up the firm and worked as a consultant for over five years. The biggest challenge for Janashakthi at the time was its late starting, coming seven years behind other private sector industry entrants.

"We had to compete with the existing giants." Janashakthi opened for business as a life insurance business in 1994 and launched its non-life business a year later. The firms were separate businesses and were merged six years later to take advantage of scale. However, Schaffer says, after having operated as one company for over 20 years, they cannot even recall the processes used when they were two firms.

Today, Janashakthi is the third among non-life companies and fifth among life insurers based on GWP. Schaffter now plays a secondary role in the organization, which is primarily managed by two of his sons - Prakash and Ramesh. He goes into office every day but, "it is in an unofficial capacity," he says, as he "wants to make room for younger people to come on to the board".

Having devoted 63 years of his life to the sector, it's no surprise that he is renowned in the insurance industry in Sri Lanka as well as in Asia. "My work is my hobby. It's something I enjoy doing," says the modest Janashakthi Insurance founder.

The industry has changed vastly in the decades since he first entered it. However, he still feels insurance isn't overcrowded with professionals like the finance industry. "If you shine in your particular field, there is far more opportunity for advancement in insurance. But you have to apply yourself, do your exams and learn your business thoroughly," he advises. "Experience is the best teacher you can have."

While Janashakthi also has its own training unit for their agents and staff, he also commends the Sri Lanka Insurance Institute (SLII) for its higher diplomas and curriculum. Established in 1982, SLII is a non-profit organization with an objective of promoting efficiency, progress and general development among insurance professionals. SLII is affiliated with the Chartered Insurance Institute, London.

Schaffter is immensely proud of the success he has achieved with Janashakthi. "I am very happy with what I have achieved and what the business has meant to me," he says, particularly speaking of providing employment to nearly 3,000 people at its over 100 branches around the country.

Janashakthi Insurance PLC recently acquired AIA General Insurance Lanka Ltd in a Rs3.2 billion deal, raised from a recent rights issue according to MD Prakash Schaffter. He added that the company is open to more investments in the future. AIA General Insurance Lanka is a fully owned subsidiary of AIA Insurance Lanka PLC.

According to officials, Janashakthi General Insurance now accounts for a market share of approximately 17.5%. ■

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- TSH (3rd Generation)
- ESR - Erythrocyte Sedimentation Rate
- UFR - Urine Full Report
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- UFR - Urine Full Report
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Round Table

Budget 2016
Staying focused on reforms

The government's first full-year budget is a reformist budget aimed at attracting both domestic and overseas private sector investments. But there are challenges.

By **DEVAN DANIEL**

The government is making an attempt to realign the economy. The 2016 budget gives investors and businesses much clarity on policy, but there are grey areas that need to be unravelled, an economist, a taxation expert and a corporate leader told The Abacus at a roundtable discussion on Budget 2016: Opportunities and Challenges. Former Central Bank Assistant Governor Dr Anila Dias Bandaranaike, Ernst and Young Partner Duminda Hulangamuwa and Ceylon Chamber of Commerce Chief Executive/Secretay General Mangala Yapa participated in this discussion.

They said the proposals and reforms outlined in the budget will help take the economy to its next phase of growth, but the challenges that come with a coalition government must be appreciated. Corporates are hopeful that macroeconomic reforms in the budget will be implemented because they want an enabling environment to make profits more than anything else, and are willing to pay taxes for it. However, the government has reduced income taxes and introduced new incentives to entice businesses to invest. On the other hand, it must spend more to

CEYLON CHAMBER OF COMMERCE CHIEF EXECUTIVE/SECRETAY GENERAL MANGALA YAPA, FORMER CENTRAL BANK ASSISTANT GOVERNOR DR ANILA DIAS BANDARANAIKE AND ERNST AND YOUNG PARTNER DUMINDA HULANGAMUWA

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FORMER CENTRAL BANK ASSISTANT GOVERNOR DR ANILA DIAS BANDARANAIKE

appease a wide range of special interest groups. This will create fiscal pressure and take the focus off reforms.

Overestimating revenue is common in Sri Lankan budgets, but the estimates for 2016 are higher than usual and appear disjointed–for example, income taxes have been reduced, but revenue targets suggest that growth in contributions from existing tax payers will have to double. For this to happen, economic growth must be exponential next year, which is unlikely. The economy is expected to grow at 5.7% in 2015 and 6.4% in 2016; even the Prime Minister warned that growth will be sluggish. Achieving the higher-than-usual revenue target is unlikely, leaving no option but for the government to increase indirect taxes, which will raise the cost of living and increase borrowings just to maintain benefits already given to state workers and voters. Containing high spending is an option, but politically difficult. Opposition is already heated over the state pension reform and the removal of the tax-free vehicle import permit scheme to politicians, bureaucrats and doctors. Private bus owners are agitating for more concessions, and farmers are against the removal of costly subsidies, which the government intended to give only smallholders–all at the expense of ordinary citizens. Bandaranaike, Hulangamuwa and Yapa believe the time is right for reforms. The rise in living standards in recent years means belt-tightening will be easier to bear; but ordinary citizens must take the initiative and hold their representatives in parliament accountable, and learn not to ask for more hand-outs and benefits. Fiscal discipline and reforms are as much the responsibility of civil society.

Here are excerpts from the roundtable discussion:

What are your thoughts on budget 2016? Is it sending out the right signals about macroeconomic reforms and does it give the clarity the private sector was looking forward to?

Dr Bandaranaike: First of all, let me tell you what I expect from a budget. In my mind, a budget is supposed to tell the country how the government is going to manage its revenue and expenditure within the context of an economic plan that looks at the long term as well as the short term. To do that, you need to look at the previous budget critically, identify slippages and reasons why the government could not meet those targets, learn from those lessons, and then build the budget for the next year. I have been saying this for years and years, and a criticism I have with this budget and all national budgets in the past is that they look more like wish lists; and once it is out there, neither civil society, which includes all of us, nor the business community hold the government accountable for what it promised to deliver and what was delivered.

So there is no review and no learning from past lessons. We end up with yet another wish list over which there is much short-term excitement soon forgotten by everybody. This budget also falls very short in this context.

The second thing I found, and I was extremely disappointed by this, was that the budget had no clear plan. A few days earlier the Prime Minister released the government's economic policy statement, and the budget that followed had little in common with this statement.The third thing that struck me was that it really looks like 46 ministers gave their own separate wish lists, the whole thing was put in a bucket and what we got was one big

wish list. Overall, it was a disappointing budget. The whole country was waiting for a clear economic plan and much was expected from the government. I expected it to be cohesive with the economic policy statement of a few days ago and I clearly did not get it.

Is the budget what businesses expected?
Yapa: We have been living with anxieties and expectations for a very long time. We are seasoned and don't expect the unexpected. The budget is not consistent with the economic policy statement, and a clear fiscal consolidation path, which is key to macroeconomic stability, is absent. But given the current political context where different groups demand more concessions from the government, there are some good things in the budget as well.

Overall, the budget is investment positive, investment enticing and somewhat reformist. The fact that corporate taxes have been brought down, simplifying taxation further, and reforming the public pension scheme are bold steps no one was brave enough to take before. Reducing the fertiliser subsidies by recognising its failure, and enticing private sector investments to education, infrastructure and industrial zones are positive moves. One other big reform is the removal of land ownership restrictions for foreigners, which was a disincentive to investing in Sri Lanka.

The budget has a lot of good ideas, but there is very little about how the government will realise these. Labour, land and capital have all seen reformist thinking in this budget, but in the absence of congruent plans and post-budgetary review, implementation will be crucial. Now that we have these good ideas and reforms, we need to make them happen.

We appreciate the thinking behind the budget. It is different from previous budgets. Export orientation, the market economy and the need for the government to get out of business are good policies that clearly came out in the budget. The five-day work week is another good recommendation. But our biggest concern is the lack of fiscal consolidation and falling government revenue. If the government fails to recover targeted revenues, it would put the economy under severe stress, because we are heavily dependent on foreign commercial borrowings to finance high deficits.

Has this budget delivered on tax reforms?
Hulangamuwa: I always believe that tax systems are complicated anywhere in the world, as economies change and transactions become complicated. When transactions become complicated, taxation must become complicated to capture the revenue. It is the same for Sri Lanka, and to be fair by whatever government preparing a budget, simplifying the tax system is a difficult challenge. Having said that, more revenue is needed each year to meet increasing government spending, both recurrent and capital. Where is the revenue coming from? The people. So whenever the government says it will increase revenue, it must either increase tax rates or widen the net. One way of doing

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ERNST AND YOUNG PARTNER DUMINDA HULANGAMUWA

this is to remove tax exemptions, and this has been discussed for years. In 2016, government revenue is expected to increase by over half a trillion rupees from a year ago, an almost 40% increase. Revenue targets in budgets are never met, but this is by far the highest tax revenue has been overestimated by. Meeting the revenue targets of the 2016 budget will be tough.

You can't satisfy everybody with the budget; some will be happy, while others will not. The banking sector will be unhappy because their taxes have been increased from 20% to 30%, and the financial services value added tax (VAT) from 12% to 16.5%. On the other hand, the manufacturing sector will see the tax rate come down from 28% to 15%; I personally think this was not necessary, but there it is. VAT has also been reduced from 12.5% to 8.5%. This is done to encourage the manufacturing sector to expand. The government is hoping to expand the tax base by reducing rates, but I'm not sure it works that way. Just by reducing taxes, you can't expect the manufacturing base to expand because there are other requirements that need to be fulfilled; there has to be demand for their products, for example, and the bureaucracy must be business-friendly too. As far tax proposals are concerned, I found them to be disjointed. I couldn't see how income tax was brought down from 28% to 15%. There are big companies, both national and multinational, which could have easily paid 28%, which was a big reduction from 35% only two years ago. Removing dividend taxes for foreigners is not going to benefit anyone either, not the government nor even the shareholder who comes not from tax havens, but from countries that tax their citizens. By removing the dividend tax, the credit will go to foreign governments. In fact, I told the Finance Minister that I couldn't see the logic of this.

While reducing rates for those who can afford to pay taxes, ordinary citizens are taxed more. Take the increase in the nation building tax (NBT) to 4%, which applies to even electricity. This will impact the cost of living.

This is why the budget lacks coherence. The process of paying taxes has not been simplified by this budget either. There is inequity in our society, so a one-tax-rate-for-all is not going to help. There are those who can afford to pay higher taxes because of higher earnings. This is something that even the Ceylon Chamber of Commerce has maintained–companies don't need tax exceptions. The most important thing businesses need is an enabling environment.

So budget 2016 is not really giving businesses and investors the clarity they need?

Yapa: The budget has some thinking in that direction, and it might be a good starting point. The Prime Minister's economic policy statement gave some direction, and then the issue was whether the budget was going to be congruent with that policy and whether it will support implementation.

Hulangamuwa: The budget is not doing that. The Prime Minister said direct taxes will account for 60% of tax revenue, but the budget went in the opposite direction. Indirect taxes in the 2016 budget account for a lion's share of total tax revenue.

Yapa: There are some positives in the budget, but the inconsistencies will not help build confidence and improve investor sentiment to the levels that we expect. As a starting point, the budget is a good initiative, but it needs a lot of fine-tuning. There is a lot of work to do.

BUDGET ESTIMATES AT A GLANCE

Revenue targets are often overestimates as seen in 2014, even more so for 2016

(In Rs trillion)	2014 Approved	2014 Actual	2015 Approved	2016 Approved
Total Revenue	1.4	1.2	1.5	2
Tax Revenue	1.3	1	1.3	1.5
Total Expenditure	2	1.8	2.1	2.7
Recurrent Expenditure	1.3	1.3	1.6	1.9
Capital Expenditure	0.6	0.4	0.5	0.9
Deficit	0.5	0.6	0.67	0.74
Deficit (% of GDP)	5.2 %	6 %	6 %	5.9 %

(Source: Ministry of Finance)

Repealing the expropriation law and developing the megapolis will send the right signals, and may boost internal and external confidence. The focus on foreign trade is also a very good thing. Most investors will not want to come to Sri Lanka to sell in the domestic market. We have to look at something called 'efficiency seeking investment', and reforms must focus on creating access to bigger markets, particularly in Asia, to attract these investments. Compared to the last budget in January 2015, which was somewhat populist, this budget presents a shift in thinking that needs to be appreciated and encouraged. If this shift is not going to take place and we are going to continue with the same kind of budgets we've had in the past, our chances of success are very low. Implementation is key, and we can only hope that some of the strategies in the economic policy statement and the budget will be taken forward.

Sri Lanka is in a balance of payments pickle. Does the budget address this problem? What are the biggest challenges facing the economy?

Dr Bandaranaike: I think the focus on expanding the exports sector and the tax benefits for the manufacturing sector are good things, but again I see inconsistencies. The budget talks about public-private partnerships and tax incentives to attract private investments, but there are elements of the government still wanting to play the role of watchdog. The restriction on the banking sector to engage in leasing is a good example of this. The consolidation of state-owned banks will also be a disaster. The government should stick to policymaking and stay out of business. But even this budget, here and there, you see the government getting too involved. These are regressive aspects of the budget. These inconsistencies must be gotten rid of in order to attract the foreign investment we need. I don't see how the government can achieve the fiscal consolidation they want. The deficit is supposed to be brought down to 3.5% of GDP by 2020, but we have expanded the deficit over the last two years. Revenue collection is a big problem. This is not just the government's responsibility. All of us need to realise that this budget is not going to work in terms of fiscal consolidation. We need to tell the government that it is not going to achieve its revenue targets and that its expenditure must be controlled, and that we are prepared for some belt-tightening.You are not going to achieve revenue targets by reducing rates of those who can pay and by doubling indirect tax rates that targets lower-income groups. This is a fire-fighting mechanism when revenue streams are drying up and this is exactly what is happening now.

Yapa: We can some signs of reform in the budget, but will the government be able to convince trade unions that the non-contributory pension scheme is not sustainable and is a drain on public finances? The public sector has grown four to five fold over the past few years, so can we afford to recruit more people to the public sector? There are essential areas, but the private sector is searching for more skilled people, so there needs to be a national dialogue around this issue. Everyone has a responsibility, not just the government. Everyone must pay taxes. With this budget, Sri Lanka will have the lowest income tax rate in the world. Maybe the government thinks this will attract investments, but corporates are willing to pay taxes if it is easy to do business here.

Hulangamuwa: Achieving fiscal consolidation targets will be even more difficult because expectations are very high. The estimated revenue

for 2016 is around Rs2 trillion, growth of Rs500 million from the previous year. Net tax growth will be Rs200 billion; so I asked the treasury where the balance is going to come from. They are expecting the existing base to grow. On average, the tax revenue from the existing base grows by 10-12% each year. This means the government expects revenue from existing tax payers to grow by 24% in 2016. This means the economy will have to grow at an exponential rate to recover this revenue, and they also expect new taxpayers to come into the net.

When the government fails to achieve the revenue target, they will have to resort to borrowing, leading to pressures on the interest rate and exchange rate. Everything revolves around the deficit, so we need to look at government spending. Capital expenditure is good because it is public investment, but rising recurrent expenditure poses problems, but people don't understand this. They demand subsidies, pensions, concessions and welfare, little realising that they have to pay for them in some other form though indirect taxes, which are the first to be raised when there is a revenue shortfall. The other issue is that you have domestic and import point taxes, so with measures to contain imports, for instance vehicles, revenue will come down further.

There are positive things too. This budget has not introduced new tax. Every year, new taxes were introduced until around 2010, and since then, governments have been giving away taxes. Over four years income taxes were reduced from 40% to 15%. So every year, we reduce direct taxes; and when revenue drops, someone has to compensate for it and indirect taxes are raised. This trend is clear in this budget.Taxation should not be used as a tool for development. Investors will only come if there is opportunity to make profits, else they will not be interested. I'm hoping they will be able to collect the revenue they need, but it is going to be difficult. Rs300 billion is targeted from fees and non-tax revenue. If the government fails to meet its revenue targets, then taxes will be raised next year and people will be unhappy. A lot of people I speak to at various post-budget seminars say the budget is a good one. Corporates are happy because taxes have come down, but I feel they are looking at it very narrowly. I don't think they are too comfortable either, because if revenue drops, taxes will be increased from somewhere. Another thing is, I don't know why they exempted wholesale and retail trade from VAT. It took four years to get this tax down to the retailer. For VAT to be effective, it has to move down the value chain. It took a lot of hard work to familiarise wholesale and retail traders with procedures and computer systems. By accounting for input VAT and output VAT, trade began to be formalised, with more and more transactions being invoiced. Now the government has just dropped it; this was a very short-sighted move.

Where do each of you see the economy a year from now?

Dr Bandaranaike: It will depend on whether these ambitious targets will be met. For instance, we will need less bureaucracy to attract investments and a stable macroeconomic environment for businesses to thrive. I don't think they necessarily need tax concessions. If the fiscal target is not met, we will see pressure on interest rates, our dependence on foreign commercial borrowings will rise and we will have serious problems with macroeconomic stability. Fiscal consolidation is really where our problems lie. Our quality of life has really improved over the last decade and poverty levels are fairly low, so cushioning them is not difficult when important reforms are pushed through and belt tightening for everyone else is at a higher level of the quality of life. So the time for reforms is right.

Yapa: Business chambers and civil society must work together to get these reforms through. There will always be pressure from interest groups like doctors asking for vehicle permits. I think the private sector needs to move in now and reciprocate the initiative shown by the government and try to bring pressure on the government to deliver the reforms. There is no way out if we choose a different path. But the question is, will the government last if difficult but necessary reforms are pushed through? Changing overnight is not possible. But together, we can focus on these things over the next two to four years and build more opportunities for the economy. Sri Lanka is not a huge economy, so transformation is not difficult, but it is complex.

Hulangamuwa: We've been through violent youth insurrections and a thirty-year war, but since 2009, I believe we've put ourselves in place where everything is possible. I am positive about the future.Economic prosperity is driven by greed - the more you have, the more you want. People want more and more from budgets. But now they must learn to give. The environment is conducive to grow and become better. The economy has grown, infrastructure has improved and people are spending. There are drawbacks, but we are resilient and we can do better. People ask why they should pay taxes when there is so much corruption and waste. But because of their money, free education and free healthcare is available to many people; think of the cancer patients who can afford healthcare because of the taxes we pay. ■

HI-TECH PARADE

Endless upgrades and improvements have ensured that we upgrade our phones almost every year. Here are the latest making headlines in Sri Lanka.

By **AVANTI SAMARASEKERA**

Users consider seven primary features before purchasing a smartphone – the brand, size, 4G capability, camera, battery life, storage and of course price. While no smartphone scores a perfect ten in all these categories, there are many contenders.

With each brand constantly improving and upgrading, we are spoilt for choice. We've looked at a few of the **most popular models** among Sri Lankans.

iPhone 6S Plus

Apple is the king of updates, with a new iPhone launched every year since 2007. And in the case of the latest, the iPhone 6s Plus, bigger is always better. The 5.5-inch display is significantly bigger than the 4.7-inch one of its predecessor, iPhone 6S, but that also means improved specs. Among them are improved speed, better cameras, always-on Siri and a pressure-sensitive 3D Touch display. It also has slightly better battery life, a higher screen resolution, and optical image stabilization for photos and video. But all this doesn't come cheap. With a heavy price tag of Rs127,900, this is one reserved for serious iPhone users.

Display: 5.5-inch IPS LCD

Memory: 64GB, 2GB RAM

Camera: 12MP (rear) and 5MP (front)

Price: Rs127,900

HTC One M9

HTC follows a philosophy of 'If it ain't broke, don't fix it". This is evident in the HTC One M9, which could very well be confused with the HTC One M8. But the M9 addresses a primary shortfall – it has an improved 20MP rear camera. HTC phones have a slightly curved back that provides a good grip on the phone, making it a breeze to handle, durable and comparatively more resistant to scratches. HTC phones were made with klutzy users in mind. The range is known for its sleek design that not only looks good but can pack a punch. HTC smartphones are also known for audio quality at high volumes. Two aluminium strips on the top and bottom of the phone's front panel house its front-facing BoomSound speakers. The speakers on the HTC One M9 are backed by Dolby enhancements and come with an equalizer feature, making it the one to beat on everything from music and videos to gaming.

Display: 5-inch Super LCD3

Memory: 32GB (expandable), 3GB RAM

Camera: 20.7MP (rear) and 4MP (front)

Price: Rs68,900

Samsung Galaxy S6

Amid ever-changing models, all phone manufacturers face a defining moment of change. For Samsung, it was the birth of the Galaxy S6. Its first noticeable feature is its aluminum body, unlike the utilitarian plastic build of every Galaxy S past. This also puts the phone on par with the Apples of the world, in terms of looks. The Galaxy S6 has actually done away with most of the build seen on all its predecessors. However, changes like the lack of a micro-SD slot and a built-in battery may be in keeping with the phone's slim design. In terms of features, battery life and camera quality, the Galaxy S6 even surpasses some heavyweights in the mobile world.

Display: 5.1-inch Super AMOLED

Memory: 32/64/128 GB, 3GB RAM

Camera: 16MP (rear) and 5MP (front)

Price: Rs72,900

Sony Xperia Z3

Sony Xperia, which releases several versions of each model every year, launched the Xperia Z3 in 2014. Highlighting Sony's primary USP of a memorable user experience, the Z3 doubles as a gaming console. It can be integrated with Sony's PlayStation 4 (if you have a DualShock 4 controller) and now you don't have to pause your for a bathroom break.
The Xperia Z3 is also water and dust resistant. It can be submerged in 1.5m of water for up to 30 minutes. This is the phone for those who want to make calls in the rain or take underwater pictures.

Display: 5.2-inch Full HD

Memory: 16/32 GB (expandable), 3GB RAM

Camera: 20.7MP (rear) and 2.2MP (front)

Price: Rs66,900

Blackberry Passport

Sticking to its professional and business-minded customer segment, the Blackberry Passport's wider display may seem unconventional for a smartphone, but is a dream for business and productivity-centered tasks. Passport users can see more of a web page or document because the display is 30% wider than the average 5-inch display. The BlackBerry Passport also finally goes back to its iconic physical QWERTY keyboard, a feature that sets it apart in the growing smartphone market. The Passport's unique design matches the dimensions of a US passport, but is slightly difficult to maneuver with one hand. The BlackBerry Hub is also convenient, letting you manage all your conversations in one place – email, text, BBM, phone calls, social media and more.

Display: 4.5-inch IPS LCD

Memory: 32GB (expandable), 3GB RAM

Camera: 13MP (rear) and 2MP (front)

Price: Rs69,900

LG G4

Its predecessor, the LG G3 was named one of the best smartphones of 2014 by tech magazines. In a time of changing designs, the LG G4 played it safe by only slightly tweaking the G3. The specs are relatively the same, but what sets the phone apart is its display resolution of 2,560x1x440 pixels, improved by 50% over the G3.
The crisp 5.5-inch qHD display is noticeably brighter than most competitors'' and colours appear more vivid, but the higher resolution of the display does not compromise on the battery life. In terms of looks, the G4's black and tan leather back cases may also be a selling point for the phone. Both are made of real leather, fend off fingerprints and makes handling the phone easier.

Display: 5.5-inch IPS LCD

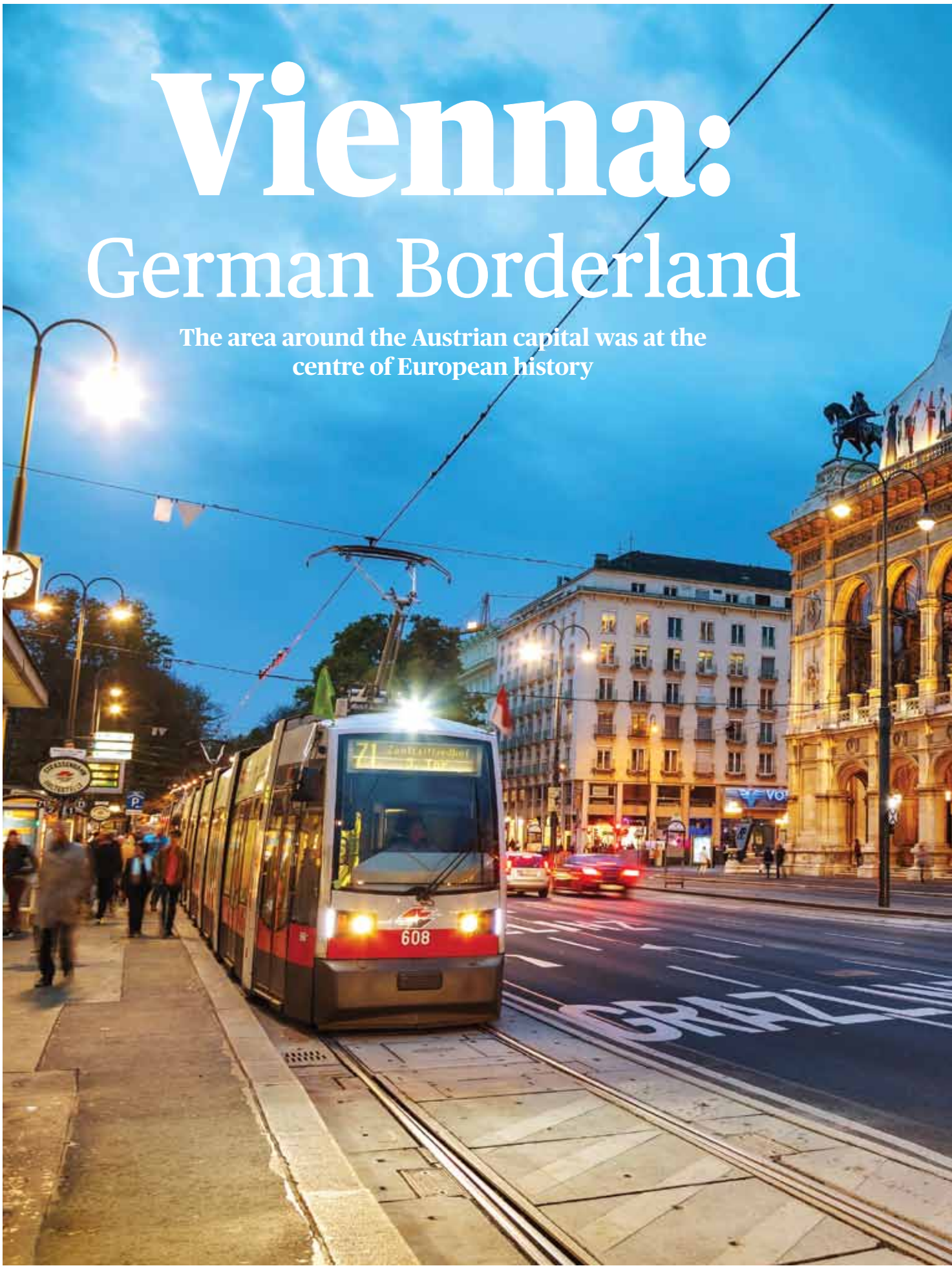
Memory: 32GB (expandable), 3GB RAM

Camera: 16MP (rear) and 8MP (front)

Price: Rs68,900

Vienna: German Borderland

The area around the Austrian capital was at the centre of European history



The fertile valley of the Danube was settled on by some of the earliest modern humans to migrate to Europe. The river formed a convenient frontier for most of the people who came to inhabit the area and for the empires that conquered it. In the first millennium BC, a Celtic tribal grouping, the Nori, settled here, giving the name Noricum to the country. They established a settlement at a strategic point on the Danube, close to where it was joined by the Wien River. Their town was named Vindobona (white fort), which eventually evolved into Wien (Vienna).

In this mock gladiatorial fight at Carnuntum, Austria, the secutor (left) is wearing a conical arm guard used to snag away the net of the retiarius (right).

Roman Pannonia

When his forces suffered a defeat in the Rhineland in 17 BC, the Roman Emperor Augustus decided to extend the imperial frontiers. Consequently, his stepson Tiberius conquered the lands south of the Danube, including Noricum. Eastern Noricum was annexed to the Roman province of Pannonia, the Danube forming its northern border. The Roman XV Legion Appolinaris and, later the XIV Legion Gemina, were based in the fortress of Carnantum, to the east of Vindobona, and a colonial town sprang up around it. Today, the ruins of the town can be seen in the Archaeological Park Carnantum, 45km east of Vienna. The basic types of Roman urban architecture have been reconstructed in their historical context, as habitable buildings: a house, a city mansion and public baths. All the buildings have been furnished and fitted with Roman under-floor heating systems and functional kitchens. A gladiator school was unearthed recently, where gladiators were trained to fight to the death for the enjoyment of 13,000 spectators in the amphitheatre to which it was attached. Under the Emperor Domitian, a fort was constructed at Vindobona, which lay at the strategic point where the "Amber Road" between the Baltic and Italy crossed the Danube. The Emperor Marcus Aurelius died here a century later. The outlines of the fort can be seen in the street plan of central Vienna, but Roman remains can be seen only at the Michaelerplatz.

The basic types of Roman urban architecture have been reconstructed in their historical context, as habitable buildings: a house, a city mansion and public baths

Ostmark

The Roman Empire collapsed when the Germanic people began their Great Migration (the Völkerwanderung) and streamed in through its borders. The area around Vindabona was successively invaded by Visigoths, Huns, Ostrogoths, Alemanni, Avars (Iranians) and Slavs. Germans from Bavaria pushed the Slavs out of the area slowly, with the Danube as their left flank. Their eastern border with the Hungarians came to be known as Ostmark, the Eastern March. This was rendered in Latin as Marchia austriaca, whence derives our modern

"Austria". In the 11th century, Vienna became the capital of the Dukedom of Austria. In the 13th century, a Swiss family, the Habsburgs, became rulers of Austria and held an unbroken sway over Vienna until the early 20th century. The Habsburgs left a sumptuous architectural heritage, the most famous of which is the 700-year-old St Stephens Cathedral, the seat of the Archbishop and a fine example of Gothic architecture. At the centre of the Habsburg realm was the 13th century Hofburg Palace, which today serves as the Presidential residence, as a convention centre and museum. A number of castles were built to defend the Hungarian border, which lay on the River Leitha. The Harrach family from Bohemia acquired two of them, the Schloss Prugg at Brück an der Leitha 40km from Vienna and the Schloss Harrach in Rohrau 7km from that. Both of them have been rebuilt and remodelled over the centuries. The former houses the Harrach Family Collection, one of Austria's most important private art collections. Also the 13th century walls are visible at Brück an der Leitha.

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Ottoman invasions

In the 16th century, the Ottomans, whose empire was the premier European power, found Austria to be an obstacle to their expansion. They swept through the plains, destroying the castles at Rohrau and Brück an der Leitha. However, their siege of Vienna failed, and they were forced to retreat. A 150 years later, in 1683, they tried again and were driven back in the nick of time by a Polish army. Vienna flourished thereafter. The Hapsburg summer residence, the Schönbrunn Palace, built as a hunting lodge after the Turkish siege and added to over the centuries, together with the gardens organic to it, represents one of the best preserved Baroque ensembles in Europe. It also houses the delightful Marionette Theatre, where puppets dance to the music of Mozart and Strauss. Close by, below the Capuchin Church is the Kaisergruft, the Imperial crypt housing the remains of over 150 Habsburgs. Vienna became known as "The City of Music", as it was on the cutting edge of musical innovation, hosting most of the world's greatest composers - including Beethov-

Tourists on Michaelerplatz square near St. Michael wing Hofburg Palace. Michaelertrakt was completed at the end of the 19th century when the old palace theatre was demolished

A memorial against War and Fascism created by Alfred Hrdlicka commemorates the victims of war, especially those killed during the NS regime and WW II.

en, Mozart, and Salieri. The Mozart Residence is now a museum. Beethoven's statue can be seen at Beethoven Park close to where he lived, and his many residences can be seen. Most of the musicians came from elsewhere, but one of them was local. This was Joseph Haydn, who was born in Rohrau, where Haydn's birth house is now a museum. He performed for the Harrach family at their castles before going to Vienna.

Socialist Frontier

Between 1918 and 1934, the city was named "Red Vienna" after the socialist municipality, which created a pioneering welfare-based economy. Major features of Vienna's modern architecture are the many Gemeindebauten, municipal housing schemes built mainly under the "Red Vienna" administration. They are characterised by a main gate leading to an internal green square where children could play, from which access is made to the individual flats. The most famous is Karl Marx Hof,

Vienna was home to many modern artists, the most celebrated being the not-very-successful painter Adolf Hitler.

a kilometre-long complex of 1,300 flats, play areas, shops, surgeries and a library; it also features a museum of Red Vienna, its history, civic culture and architecture, Waschsalon Nr 2 (Laundry No 2).

Fascist Frontier

In 1933, the Fatherland Front government of the fascist Englebert Dolfuss dissolved the parliament and began constructing a corporate state. The next year, using the army, police and his private army the Heimwehr (Homeguard), Dolfuss launched an attack Social Democrats, bombarding the Geminderbauten - forcing the inhabitants to take refuge in cellars all over Austria – and subdued them after four days of fighting. Four years later, Hitler took over Austria, the Fatherland Front surrendering meekly. In November 1938, the Kristallnacht pogrom tagetted synagogues. The Nazis immediately began rounding up Jews and Romani (Gypsies), who were later exterminated in concentration camps - approximately 35% of Austria's Jews

The Secession Building is an exhibition hall built in 1897 by Joseph Maria Olbrich as an architectural manifesto for the Vienna Secession, located in Vienna, Austria.

and 95% of its Romani were killed, along with several thousand Communists. Vienna was liberated by the Red Army in April 1945, after a bloody battle. This period was culturally barren and its reminders are memorials to war and death. Among the most important in Vienna are the Memorial against War and Fascism, a complex group of statues by Alfred Hrdlicka in Albertinaplatz commemorating the Victims of Dollfuss and the Nazis; the Vienna City Temple, the only synagogue to escape destruction on Kristallnacht; the Judenplatz Holocaust Memorial; a plaque to Blessed Maria Restituta, a Catholic martyr to Nazism, at Margaret Street; the Memorial to the victims of Nazism at the former Gestapo Headquarters at Morzinplatz; and the Soviet War Memorial, a 12metre-high bronze statue. At Bruck and der Leitha are a Mass Grave of Hungarian Jewish slaves and the Soviet War Memorial.

Modernist Frontier

Vienna was home to many modern artists, the most celebrated being the not-very-successful painter Adolf Hitler. Modern artists are symbolised by symbolist painter Gustav Klimt, who was one of the "Secessionists" who separated from the art establishment and whose works are exhibited at the Wiener Secessionsgebäude (Vienna Secessionist Building) - built as an architectural manifesto for the movement. Modernist architecture is represented in Vienna by buildings ranging from the stripped-classical Austrian Postal Savings Bank to the retail/restaurant Haas House. Austria's tallest and most modern building is DC Tower 1, opened by Buzz Aldrin in early 2014, a part of Vienna's new Donaucity city centre. Other contributors to Vienna's modern skyline are the Millennium Tower and, probably the most original and interesting, Friedensreich Hundertwasser's revamped Spittelau waste incinerator chimney.

Goulash is a soup or stew of meat and vegetables, seasoned with paprika and other spices. Originating from the medieval Kingdom of Hungary, goulash is also a popular meal in Central Europe, Scandinavia and Southern Europe.

Food and Drink

Cuisine in Vienna gets is its variety from the influence of various invaders and immigrants, a result of it being on the frontier. The Romans brought with them grape vines, which eventually gave rise to the many Heurigers, wine-taverns serving the recent years' (Heurig means "this year") house wines from their own vineyards, as well as homemade food. The Germans provided Wiener-schnitzel, the breaded and deep-fried boneless veal, which is Austria's national dish; and the Wiener, a long würst sausage. The Hungarians contributed Gulasch (Goulash). The Turks who besieged Vienna left behind sacks of coffee beans, which formed the stock-in-trade of the first coffee houses, after which Vienna was also nicknamed. Wiener melange is a speciality coffee similar to cappuccino. The Danes contributed Viennoiseries (Danish Wienerbrød pastry) - from which originated Sri Lankan kimbula banis, also called Viena. However, it was Viennese themselves who developed the Wiener kaisersemmel or Vienna roll and Sachertorte, Austria's national dessert, a dense chocolate cake based on a meringue topped with apricot jam and iced with dark chocolate, served with whipped cream. ■

Focus On Technical

Guidelines on valuation of property, plant and equipment, investment property, and biological assets

Sri Lanka Accounting Standards (SLFRS) deals with measuring fair value in a single standard called SLFRS 13. To complement this, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued guidelines on the valuation of property, plant and equipment (PPE), investment property (IP), and biological assets (BA).

These guidelines, approved by the CA Sri Lanka Council, were issued as an extended version of SLFRS 13 to help preparers of financial statements, practitioners who deal with issuing assurance reports on such financial statements, and valuation professionals who undertake valuations for inclusion in financial statements and other interest parties.

Accordingly, the valuations undertaken for inclusion in financial statements shall be required to meet the Sri Lanka Accounting Standards that are applicable and the principles contained in the General Valuation Standards, except as specifically modified by a requirement of the relevant accounting standard.

Key points to remember:

- The basis of valuation for financial reporting shall be the fair value as set out in SLFRS 13 Fair Value Measurement.
- The valuation report shall state the effective date of the valuation and such value shall be recognized in the financial statements from that date.
- Management shall ensure that the report includes a description of the purpose of the valuation, extent of investigation, procedures adopted, assumptions and limitations.
- When measuring fair value, an entity shall take into account the characteristics of the asset or liability (such as condition and location of the asset; and restrictions, if any, on the sale or use of the asset) if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.
- The fair value is the price obtained from selling an asset in the transaction that takes place in either the principal market or the most advantageous market (where no principal market exists).
- A fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use by taking into account the use of the asset that is physically possible, legally permissible and financially feasible; that is determined from the perspective of market participants, even if the entity intends a different use.
- An entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable input and minimising the use of unobservable input.
- Three widely used valuation techniques are market approach, cost approach and income approach.
- The fair value hierarchy categorises the input into three levels to measure the fair value and gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 input) and the lowest priority to unobservable input (Level 3 input).

- If the transaction price is fair value at initial recognition and a valuation technique that uses unobservable inputs will be used to measure the fair value in subsequent period, the valuation technique shall be calibrated so that, at initial recognition, the result of the valuation technique equals the transaction price.
- The cost of those components that both have a significant cost in relation to the total and a materially different useful life shall be readily identifiable.
- An entity shall assess whether there is any indication that an asset may be impaired at the end of each reporting period. If any such indication exists, the entity shall estimate the recoverable amount of the asset.
- The market value under IVS is more consistent with the fair value measurement requirement under SLFRS 13 subject to some specific assumptions required by the SLFRSs such as stipulations as to the unit of account.
- The auditor shall obtain sufficient appropriate audit evidence to provide reasonable assurance that fair value measurements and disclosures are in conformity with SLFRS. ■

Update

CA Sri Lanka's Public Sector Wing strengthens public financial management practices

CA Sri Lanka's Public Sector Wing, the Association of Public Finance Accountants of Sri Lanka (APFASL) launched several initiatives to strengthen public financial management practices to help the government enhance transparency, accountability and good governance.

CA Sri Lanka, together with APFASL, launched Chartered Public Finance Accountancy (CPFA), a new professional qualification exclusively for professionals in the public sector in February with the blessings of the Hon. Minister of Finance and the Secretary to the Treasury. The first examination leading to this qualification will be conducted in December 2015. Student registrations have already commenced and applications for the December 2015 examination have been closed. Those who have enrolled could obtain study material for the business level examination from CA Sri Lanka's sales center.

APFASL, together with the Ministry of Finance, launched and implemented 10 public sector accounting standards for Sri Lanka; an additional 10 standards are in the process of being adopted, based on current requirements. The application of accounting standards will ensure high-quality financial statements reflecting a fair view of the financial performance, financial position and cash flows, promoting uniformity and comparability.

To ensure excellence in preparing and presenting financial statements in compliance with Sri Lanka's public sector accounting standards, APAFSL is organizing its inaugural Best Annual Reports and Accounts Awards competition in collaboration with the Ministry of Finance and the Auditor General's Department. The main objective of the competition is to improve the quality of annual reports and accounts issued by the public sector, thereby improving transparency and accountability of ministries, departments, statutory boards, local authorities' and foreign-funded projects.

The Public Sector Wing also conducted several capacity building programmes to update the working knowledge of public sector financial management personnel. A prospectus identifying training programmes on key areas selected on need basis has been published on the website.

A comprehensive website is currently being developed to provide online resources for APFASL members to make maximum the use of activities undertaken by CA Sri Lanka's Public Sector Wing to upgrade their professional skills and expertise. ■

Arosha De Silva wins best speaker award at International CA Student's Conference

Arosha De Silva, a student of CA Sri Lanka, recently won the best speaker award and was adjudged the 1st runner up from among 24 other speakers at the International CA Student's Conference held in Indore, India.

The conference was organized by the Institute of Chartered Accountants of India (ICAI). Arosha participated in one of the technical sessions titled 'Tools of International Finance' and made a presentation on the 'Role of the CA profession in developing sound capital markets'. He won the best speaker award of the session.

The two-day conference held under the theme 'Empowering Excellence' at the DAVV University Auditorium, Bhanwarkuwa, Indore, covered contemporary issues emerging in the accounting domain and provided an excellent opportunity for students of chartered accountancy programmes in India, Sri Lanka, Nepal and Bangladesh to meet and share knowledge.

Arosha has completed the final level case study conducted by CA Sri Lanka and is currently undergoing practical training prior to applying for his Associate Membership at CA Sri Lanka. He currently serves as an Assistant Manager at Ernst & Young.

A total of 13 students from CA Sri Lanka participated at this year's ICAI student conference. ■

CA Sri Lanka adjudged 'Best new exam centre of the year'

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) recently received a special accolade as the 'Best new exam centre of the year' from the University of Cambridge at the Centre Exams Managers' Conference held in Chennai, India.

The award was granted in recognition of institute's extraordinary performance and its superior quality of teaching, learning and assessments. The first batch of 391 students who followed the Cambridge International Certificate in Financial English (ICFE) offered at CA Sri Lanka passed with a superior pass rate of 80%.

The ICFE course has been meticulously designed for finance professionals to achieve greater heights in their career with gainful employment in the international finance arena. CA Sri Lanka became an accredited exam centre for Cambridge in 2015.

President of CA Sri Lanka, Arjuna Herath said it was truly an honour for CA Sri Lanka to receive recognition from the University of Cambridge. "We have always been mindful of the changes and continue to offer our stakeholders the best of qualifications and services. To be recognised for this endeavour is truly an honour for CA Sri Lanka," he said. ■

Update

Students enjoy transfer opportunity to Australia's La Trobe University

The BSc. Degree in Applied Accounting offered by the country's foremost professional organisation, CA Sri Lanka, comes with a host of opportunities for undergraduates who are following the programme, including a transfer opportunity to one of Australia's leading universities, La Trobe, which has its main campus in Melbourne and a multi-campus university in Victoria.

Senior Lecturer in Finance at La Trobe University Marc Olynyk, who was in Colombo recently met with undergraduates of CA Sri Lanka's degree programme and explained the numerous benefits of the transfer programme and the opportunities they can gain when they transfer to La Trobe. Mr. Olynyk emphasized that accounting and finance professionals belong to a profession that was always in demand in Australia and across the world.

La Trobe has a student population of more than 32,000 including 9,000 international students from over 100 countries. La Trobe's accounting subjects are ranked in the top 7% of the world, according to the QS World University Rankings by Subject 2015.

"We provide flexibility in student learning," he said, adding that the university was moving away from traditional lecture-style teaching and adopting non-conventional teaching methods. La Trobe has a student population of more than 32,000 including 9,000 international students from over 100 countries. La Trobe's accounting subjects are ranked in the top 7% of the world, according to the QS World University Rankings by Subject 2015. ■

CA Sri Lanka kicks-off scholarship programme for 2016

Students who aspire to pursue a career as chartered accountants can apply for the L. A. Weerasinghe Scholarship Scheme by CA Sri Lanka. Any student who has successfully passed the A/L commerce stream with 3 'A' passes or obtained a minimum 1.20 Z score in the science and maths streams, and whose family income is below Rs300, 000 per annum are eligible to apply for scholarships.

CA Sri Lanka will also grant scholarships for the 'Top Ten' Students of the 2015 A/L examinations from the arts, maths, bio-science and commerce streams, and students who ranked first in the district in the commerce stream.

CA Sri Lanka is also offering scholarships for those already following the institute's globally recognized qualification in chartered accounting. Business level trainees whose family income is below Rs300,000 per annum, have completed the CAB II exam and have commenced or intends to commence business level training within three months can apply for scholarships.

Application forms for the scholarship programme for 2016 can be downloaded from www.casrilanka.com. The CA Foundation was established in 2010 with the aim of helping students from across the country to realize their future ambition of becoming globally sought-after chartered accountants. In 2015 alone, CA Sri Lanka awarded over 130 scholarships. ■

CSE powers CA Sri Lanka's 51st Annual Report Awards competition

The Colombo Stock Exchange (CSE) renewed its support for the prestigious Annual Report Awards competition organized by CA Sri Lanka by coming onboard as a strategic partner.

This is the second consecutive year that the CSE powered the high-profile corporate level competition that recognizes organizations that promote transparency, accountability and good governance in financial reporting.

This year's 51st Annual Report Awards competition revolved around the theme 'Clarity Redefined'. The main objectives of the competition are to encourage effective communication to stakeholders through the publication of informative annual reports; promote effective presentation of financial and non-financial information; and to comply with legislative requirements and generally accepted accounting practices. President of CA Sri Lanka Arjuna Herath reiterated that securing the support of an organisation like the CSE not only boosted the competition's standing, but was also an endorsement. ■

President of ACCA Global visits CA Sri Lanka

President of ACCA Global Council Datuk Alexandra Chin JP paid a courtesy call on CA Sri Lanka recently, where matters relating to the development of the accounting profession were discussed. Datuk Alexandra Chin, who was accompanied by Head of ACCA Sri Lanka Nilusha Ranasinghe, met the vice president and CEO of CA Sri Lanka, Lasantha Wickremasinghe and Aruna Alwis, respectively.

In its capacity as the national accounting body in the country, CA Sri Lanka works closely with its counterparts towards the enhancement and development of the accounting profession in the country. ■

Update

"Sri Lanka among best and lowest tax-paying regimes in the world" – Finance Minister tells CA Sri Lanka Budget Seminar

Minister of Finance Ravi Karunanayake recently declared that the 2016 budget has paved the way for Sri Lanka to be among the best and lowest tax-paying regimes in the world.

Addressing an audience of over 900 professionals, students and members of public at the Annual Budget Seminar organized by CA Sri Lanka, the Minister who was part of a panel discussion also elaborated that the taxation system that was in place was non-motivational and archaic, hence, the new government took steps to ensure higher compliance while increasing revenue but incorporating innovative approaches.

"To be frank, very few were paying taxes. So the new innovative approach adopted by the government helps cover the slippages we have had in the past, and gives our tax payers the opportunity to be absorbed into the tax net to ensure higher compliance," Karunanayake said.

He also called upon the Inland Revenue to be more effective and proactive in helping the government reach its goals. "Implementation will be the biggest challenge, but we will be bringing 10-15 from the professional sector to help and guide the government so we reach our destination," Karunanayake added.

He also noted that the country can have a completely new revival if every company increases their capital spending from Rs5 million to Rs10 million. "We are not going after huge investments, we don't want a single company to invest $3-5 billion, but we are promoting that 15-20 companies bring in $2 billion. This is our target, and this will be the revival that will make Sri Lanka the game changer," he added.

He also highlighted that a study revealed that, on average, it takes 220 days for most investors who come to Sri Lanka to obtain approval. "This is not acceptable, when in countries like the Philippines, approval is granted in just 30 days," he said.

He disclosed that the government was going to implement a system where approvals for a general investor will be granted in 51 days, except for certain investments which may take longer. "Our intention is to ensure speedy approvals; this is where the confidence factor comes in. We will hold the official in charge responsible if he fails to follow suit by ensuring the investor is granted necessary approval during the stipulated 51 days." Karunanayake added that the legislation in this regard will be brought by March next year.

President of CA Sri Lanka Arjuna Herath acknowledge that the overall sentiment that there is a low tax regime in the country, which he hoped would kick start the commercial environment.

"With the announcement of Prime Minister Ranil Wickremesinghe's policy statement, followed by the budget presented by the Finance Minister, the government has very clearly and explicitly expressed that they are initiating change; a change towards a society of equal opportunity and inclusiveness devoid of gender, cast, creed and religious bias, and a government of increasing transparency, accountability, good governance and a business environment of equal opportunity," he added.

The panel session comprised Arjuna Herath; Mr. Rajendra Thyagarajah, Vice President of the Ceylon Chamber of Commerce; Mr. S R Attygalle , Deputy Secretary to the Treasury; Ms. Kalyani Dahanayake, Commissioner General of Inland Revenue; Mr. N R Gajendran, Past Chairman of the Faculty of Taxation; Mr. Duminda Hulangamuwa, Chairman of the CA Sri Lanka Faculty of Taxation; Ms. Dhammika Gunathilaka, Deputy Commissioner General of Inland Revenue; and Ms. Shamila Jayasekara, the Alternate Chairperson of the CA Sri Lanka Faculty of Taxation. ■

CA Sri Lanka confers distinguished FCA status to 140 Chartered Accountants

CA Sri Lanka conferred the distinguished Fellow Chartered Accountant (FCA) designation to 140 chartered accountants, elevating them to the highest stratum in their professional careers, at a special FCA convocation held on 27 November 2015.

The new fellow members of CA Sri Lanka included high-profile corporate leaders who were conferred the FCA designation by President of CA Sri Lanka Arjuna Herath, who was the chief guest at the event.

Extending his congratulations, he highlighted that the new fellow members were joining an elite pool of distinguished chartered accountants as FCAs. "You are among 140 chartered accountants honoured this year with the distinguished designation of FCA. This is indeed an important milestone in your professional career as a chartered accountant," he said.

Mr. Herath also called upon the new fellow members to take greater responsibility in shaping the profession to meet stakeholder expectations, and to be an exceptional role model for future chartered accountants and junior colleagues. He noted that being a professional is paramount, while highlighting on the importance for the new fellow members to consistently update their knowledge and skills, while adhering to professional ethics.

Mr. Sanjaya Bandara, Chairman of the Member Relations Committee, said that the institute has embarked on numerous initiatives in its efforts to enhance the development and progression of its members. He expressed confidence that the new fellow members who were conferred

with the distinguished FCA status will play a tremendous role in helping propagate the importance of the accounting profession across Sri Lanka and the world, while playing an influential role to safeguard CA Sri Lanka's impeccable standing in the accounting and finance world.

Aruna Alwis, Chief Executive Officer of CA Sri Lanka, noted that CA Sri Lanka members commanded an impressive standing in every sector, and are no longer restricted to only number crunching positions. "With a significant number of our 5,150 members spearheading leading business organizations in the country, you too can continue to play a significant role in helping develop the profession, the organization you serve for and the country," he added. ■

Update

CIMA Regional Head visits CA Sri Lanka

The Regional Director for Asia Pacific of the Chartered Institute of Management Accountants (CIMA) Ms. Irene Teng paid a courtesy call on CA Sri Lanka recently. Ms. Teng, who was accompanied by CIMA Head of Strategic Business for Asia Pacific Venkkat Ramanan and Regional Manager of IT Rajitha Liyanage, met with the CEO of CA Sri Lanka Aruna Alwis.

They discussed matters relating to the mutual benefit of the two accounting bodies and the development of the accounting profession. ■

CA Sri Lanka officials meet the Maldives' Minister of Finance

President of CA Sri Lanka Arjuna Herath recently paid a courtesy call on Abdulla Jihad, Minister of Finance of the Maldives, during an official visit to Malé. Mr. Herath, who was accompanied by Vice President Lasantha Wickremasinghe and CEO Aruna Alwis, discussed matters of mutual interest in relation to the development of the accounting profession in the South Asian region with Mr. Jihad. CA Sri Lanka is assisting the Auditor General of the Maldives to develop the accountancy and auditing profession in the country, including offering expertise and assistance to establish a professional accountancy institute and providing necessary technical assistance to the AG's Office, particularly in relation to IFRS and International Standards on Auditing (ISA). ■

CA Sri Lanka honours James Selvanathan Mather with 2015 Lifetime Achievement Award

CA Sri Lanka paid tribute to eminent Chartered Accountant Mr. James Selvanathan Mather by honouring him with the Lifetime Achievement Award for 2015 in recognition of the exemplary contribution made towards the profession, the business world and society, at a ceremony held at the BMICH recently.

Mr. Mather, a double degree holder who qualified as a Chartered Accountant in 1959, served at the Income Tax Department of the Central Bank and Morison Rutherford & Co. in London before moving to Turquand Youngs, the predecessor firm of Ernst & Young in 1960, where he served as a practitioner and Partner for over 40 years.

During his tenure at Ernst & Young, which ended in 2001, Mr. Mather was instrumental in the way Ernst & Young developed, and continues to serve the profession and its clients to date. In his capacity as a Partner, he brought in a strong business focus to the management of the professional practice, and introduced a culture of client service, performance management and a fair and inclusive process for recruitment and training staff.

He was also instrumental in establishing a scholarship fund at Ernst & Young for needy students providing the seed capital on a personal basis.

Mr. Mather also served as a director for leading public listed and private companies including Richard Pieris PLC, Commercial Bank PLC, Ceylon Tobacco PLC, Chemical Industries Colombo PLC, United Motors PLC and Delmege Forsyth & Co. Ltd. He currently serves as a Director at David Pieris & Co Limited. ■

The inauguration of the 36th National Conference of Chartered Accountants

The 36th National Conference of Chartered Accountants was inaugurated on Wednesday, 4 November 2015, at the BMICH, Colombo, by His Excellency Y. K. Sinha, Indian High Commissioner to Sri Lanka, in the presence of the country's high-profile corporate glitterati including top business leaders, government officials, diplomats, renowned accounting and finance professionals, and foreign panelists. Organized by CA Sri Lanka, the inauguration's keynote speech was delivered by Prof. Rajendra Srivastava, LKCSB Chair in Marketing Strategy and International Business at Singapore Management University and Dean - Designate of the Indian School of Business (Hyderabad & Mohali)

CA Sri Lanka introduced the concept of the national conference to Sri Lanka in 1979. Over the years, the conference has attracted an unprecedented number of participants, making it one of the largest corporate events in the country. The live webcast feed of the conference

proceedings has also attracted over 120 registrations from chartered accountants both in Sri Lanka and overseas.

This year's conference, which revolves around the theme 'Collaborate to Compete', also set an all-time record having registered over 1,500 delegates. The conference will conclude on 6 November 2015, following two days of technical sessions.

The technical sessions will feature top corporate leaders and well-known foreign experts who will educate participants on opening up their organisations to a world of opportunities by building collaborative business models that integrate resources, knowledge and ideas across companies to produce greater synergic results.

The first session on 'Economic Collaboration' will feature Dr. Howard Nicholas, Senior Lecturer in Economics from Erasmus University of Rotterdam, Netherlands; Dr. Anila Dias Bandaranaike, Former Assistant Governor of Central Bank; and Dr. Dushni Weerakoon, Deputy Director and Head of Macroeconomic Policy Research of the Institute of the Policy Studies of Sri Lanka (IPS).

The second session on 'Public and Private Sector Collaboration' will feature Mr. John Davie, Chairman of Altra Capital Limited of United Kingdom; Mr. Ranjit Fernando, Chairman of the Urban Development Authority; and Dr. Saman Kelegama, Executive Director of IPS.

Mr. F. R. Singhvi, Joint Managing Director of Sansera Engineering Private Limited, India, will be the speaker at the third session on 'Collaborative Supply Chain,' while Mr. Rizvi Zaheed, Director of Hayleys PLC and Managing Director of Hayleys Agriculture Holdings Ltd, and Mr. Koenraad Pringiers, Chief Executive Officer of Camso, Loadstar Pvt Ltd, will serve as panelists.

The fourth session on 'Collaborate to Innovate' will be led by Mr. Nathan Sivagananathan, Chief Growth Officer of MAS Holdings, together with Mr. Harin De Silva Wijeyeratne, Chief Executive Officer of Sri Lanka Institute of Nanotechnology (SLINTEC) and Ms. Linda Speldewinde, Entrepreneur/ Founder of the Academy of Design (AOD) as panelists.

Mr. Unmesh Pawar, Global Managing Director - Talent Acquisition of Accenture PLC (Mumbai), India, will speak at the fifth session on 'Collaboration in Human Resources', while Mr. Samitha Perera, Chief Executive Officer of CBL Foods International (Pvt) Ltd, and Ms. Aroshi Perera, Chief Executive Officer of Global Consulting Company, will serve as panelists.

The sixth session will focus on the 'Collaborative Role of a CFO/Finance Professional', where a group of resource persons will share their thoughts and insights on the skills, habits, mindsets, tools and techniques that finance professionals need to develop.

Update

CA Sri Lanka inducts three eminent Chartered Accountants

CA Sri Lanka recently paid tribute to three distinguished chartered accountants by inducting them to the Hall of Fame in recognition of their significant contribution to the development of the accounting profession, the business world and society.

CA Sri Lanka bestowed the Hall of Fame honour for 2015 to chartered accountants Mr. Bentotage Robert Lakshman Fernando, Mr. Fred H. Puvimanasinghe and Prof. M. W. Wickramarachchi at a ceremony held recently at the BMICH.

Mr. Fernando qualified and obtained his membership from CA Sri Lanka in 1971, and held positions of Company Accountant, Group Cost Accountant and Chief Accountant/Administration Manager of the heavy industrial unit at Brown & Company.Mr. Fernando served on the CA Sri Lanka Council in 1979/80 and contributed to a number of initiatives undertaken by the Institute. His expertise was utilized by the Government when he was appointed as Chairman of the agricultural cluster of the National Council for Economic Development, a position he held for over a decade.

The second recipient of the Hall of Fame honour for 2015, Mr. Puvimanasinghe kicked off his professional journey by serving his four-year period of articles at Ford, Rhodes, Thornton & Co, the predecessor to KPMG.

While serving as an Audit Manager, he was offered the position as Financial Controller at Hayleys and worked directly under the company's founder Mr. George Hayley.

As a founder member of CA Ceylon, his efforts were rewarded with an award by the President of Sri Lanka, and an award for "Excellence" in Business Management from the then Prime Minister.

Mr. Puvimanasinghe served as a Member of CA Sri Lanka's Council for over six years in almost all committees including taxation, auditing standards, ethics, urgent issues task force, examinations and tax for over five decades.

He was also Chairman of the Best Accounts Competition committee and assisted in developing CA Sri Lanka's Code of Professional Ethics. Mr. Puvimanasinghe also served as a CA Sri Lanka lecturer for nearly 35 years and as an Examiner for 15 years.

He represented CA Sri Lanka at various overseas meetings including as a delegate at the first meeting of CAPA in New Delhi, and was nominated by the Council as a delegate to the World Congress of Accountants in Germany.

Prof. M. W. Wickramarachchi is known as a pioneer and path breaker in academic accounting education in Sri Lanka. His contribution to the profession of accounting has been immense. He served in many committees of CA Sri Lanka, including four years as a member of the council.

He also developed a link between the University of Sri Jayewardenepura, CA Sri Lanka and big practicing firms to provide best accounting education for young, hardworking and intelligent undergraduates.

Prof. Wickramarachchi was also involved in revising the educational curricula of CA Sri Lanka and the Institute of Bankers of Sri Lanka, and played a significant role in obtaining the degree awarding status for CA Sri Lanka to offer the BSc (Applied Accounting) degree. ■

Sixth intake now open for BSc. Degree in Applied Accounting

Students who are looking to pursue a successful accounting and finance career can now apply for the March 2016 intake of the highly reputed bachelor's degree in Applied Accounting offered by CA Sri Lanka.

The BSc. in Applied Accounting degree, which is conducted in Colombo, offers students recognition in Sri Lanka and overseas, apart from a promising career in the field of accounting.

The degree program is approved by the University Grants Commission and is equivalent to the degrees offered by Sri Lankan state universities.

Students who have successfully completed the local GCE Advanced Level or the London Advanced Level (Edexcel/ Cambridge) examinations with three passes can register for the degree program, while students who have sat for 2015 GCE A/L examination and are currently awaiting results can also register. Additionally, professionals who are employed and have fulfilled the basic entry requirements can also follow the degree program on part-time basis.

Students who follow CA Sri Lanka's BSc. Degree in Applied Accounting have the added advantage of interning for one year with leading companies in the country.

The BSc. in Applied Accounting degree also offers a range of exemptions for CA Sri Lanka, CIMA, ACCA, AAT and SLIATE HND qualifications. ■

CA Sri Lanka Tax Faculty carries out programmes to enhance taxation knowledge

The CA Sri Lanka Tax Faculty carried out a series of programmes throughout 2015 in its efforts to help enhance taxation knowledge of members, students and members of the public.

During the year, the faculty organized seven tax seminars and four workshops, among several other important programmes including the Annual Tax Oration.

The seminars, which were conducted with the objective of educating and disseminating information for the benefit of the tax-paying corporate sector and other interested parties, centered around the following topics:

- Simplified Value Added Tax (SVAT)
- Foreign Exchange Regulations
- Stamp Duty and Land Act
- Banks and Finance Company Taxation
- Transfer Pricing Law and Regulations
- Customs duty Regulations, Valuations and Procedures
- Best Practices in Complying with the Companies Act

The four tax-related workshops covered the topics of PAYE (Pay as You Earn) Tax System and Applications, VAT (Value Added Tax), Taxation of SMEs (Small and Medium Enterprises), and Management of Tax Compliance.

In April 2015, the Tax Faculty also organized a ceremony to felicitate the newly appointed Commissioner General of the Inland Revenue.

CA Sri Lanka's annual Tax Oration was held in October 2015 featuring Hon. Shri P Chidambaram, former Minister of Finance and Home affairs of India, who delivered the oration.

The faculty also organized the Annual Budget Seminar 2016 on 24 November 2015, which will give an overview of the government's national budget for 2016. ■

Update

Top honors for leading companies at CA Sri Lanka's 51st Annual Report Awards

Diesel & Motor Engineering PLC (DIMO) won the coveted 'Cyril Gardiner Memorial Trophy' Gold Award for Overall Excellence in Annual Financial Reporting at the 51st Annual Report Awards Competition organized by CA Sri Lanka. John Keells Holdings PLC (JKH) won the silver award, while Commercial Bank of Ceylon PLC won the bronze.

The event was held under the patronage of His Excellency President Maithripala Sirisena who graced the occasion as Chief Guest and Mr. Vajira Kulatilaka, Chairman of the Colombo Stock Exchange, as Guest of Honour on Thursday, 3 December 2015, at Waters Edge, Battaramulla. It saw an overwhelming participation of over 600 guests.A total of 144 organisations including leading blue chip companies to small-time community groups competed for the coveted awards, which promote transparency, accountability and corporate governance. This was the highest number of entries in the history of the competition.

DIMO also won the Integrated Reporting gold award, while Mercantile Investment & Finance PLC won the silver award, and Asian Alliance Insurance PLC and L B Finance PLC shared the bronze.Commercial Bank of Ceylon PLC won the Management Commentary gold award, while People's

Leasing & Finance PLC won the silver, and DIMO won bronze.HNB won the Corporate Governance Disclosure gold award, while Commercial Bank won the silver and JKH won bronze. DIMO won the Corporate Social Responsibility Reporting gold award, while Sampath Bank won silver and Commercial Bank won bronze.

Under Sector Awards, Association of Accounting Technicians of Sri Lanka, Laugfs Gas PLC, Access Engineering PLC, Seylan Development PLC, the Ceylon Chamber of Commerce, Ceylon Cold Stores PLC, HNB Assurance PLC, CIC Holdings PLC, Talawakelle Tea Estates PLC, John Keells Hotels PLC, Singer (Sri Lanka) PLC, Merchant Bank of Sri Lanka & Finance PLC, People's Leasing & Finance PLC, National School of Business Management Ltd, United Motors Lanka PLC, Sri Lanka Telecom PLC, Colombo Dockyard PLC, Nawaloka Hospitals PLC, DFCC Bank PLC and Commercial Bank won gold awards. ■

CA Sri Lanka launches mobile app

In its continuing efforts to remain current and progressive, CA Sri Lanka recently launched a corporate mobile app. Launched by President of CA Sri Lanka Arjuna Herath, the app is available for users of Android, IOS and Microsoft operating systems.

CA Sri Lanka's corporate mobile app offers a host of services to its over 5,100 members like the member directory, technical sessions of the 36th National Conference, notifications on the Institute's activities and a photo gallery. Since the launch of the app, it has been downloaded by nearly 1,000 users.

In its capacity as one of the country's foremost professional organisations and as the national accounting body, CA Sri Lanka has been offering a range of contemporary services and facilities for the benefit of its stakeholders and to enhance the Institute's service standards. ■

CA Sri Lanka's UK chapter get-together and AGM

CA Sri Lanka's UK chapter celebrated Christmas and New Year on 6 December 2015 at the Kingston Lodge in Kinston, Surrey. The celebration took place after the CA Sri Lanka UK Chapter's Annual General Meeting, which also saw the election of new office bearers for 2016.
The office bearers for 2016 are as follows:
President: Vimal Perera
Secretary: Ahmed Musaamil
Treasurer: Loges Ganeshwaran
Vice President: Kulan Mille
Officers: Ms. Sirine Nizar and Emil Kumar
Independent Auditor: A T Benedict ■

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