the Abacus

INTELLIGENCE & INSIGHT FROM CA SRI LANKA

MAY 2015 | WWW.CASRILANKA.COM

Ian Ball: The future eventually ends up in your backyard

P.24

WOMEN ACCOUNTANTS: PROVIDING THE RIGHT BALANCE

CA

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

ISSN 2279-3860
9 772279 386000
VOL.2 • ISSUE. 5

the Abacus

CONTENTS

MAY 2015

Features

A firm with Sri Lankan roots, Leapset, is reimagining the restaurant business by integrating its various parts [PAGE 38]

High maintenance: Managing tech-savvy, impatient millennials [PAGE 30

Ian Ball: The future eventually ends up in your backyard [PAGE 24]

Building financial leaders in emerging economies [PAGE 22]

Intelligence & Insight from CA Sri Lanka

Innovation & Dealing with Millennials

The Abacus covers an unusually wide array of topics in this issue including how to deal with millennials and the disruptive innovation of Leapset - a firm with Sri Lankan roots - intent on changing the model of the US restaurant business.

Restaurants are the second-largest employer in the US after the government, as Americans spend an extraordinary amount of money eating out. Up to seven out of ten restaurants, cafes and bars are independent (not part of any major chain.) It's this market that Leapset - which does all its engineering work in Sri Lanka - is determined to link through a giant network incorporating as many of these independent restaurants. For business owners, Leapset's internet connected POS (point of sale) terminal offers an all-in-one solution to process card payments, keep in track of finances, and attracting and engaging their customers.

Disruptive business models - like Leapset's - are changing industries in fundamental ways. Another wave sweeping corporations is the challenge of hiring and retaining young talent. Somehow these post-1980 born people now entering the workforce don't respond to the same incentives as the generation before them. In this issue, we've also included an interview discussing how firms can engage this new set of team members.

The Chair of the Chartered Institute of Public Finance and Accountancy (CIPFA) Ian Ball also spoke to The Abacus. We have all this and much more in this issue.

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
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

the Abacus

CONTENTS

MAY 2015

CA Sri Lanka President Arjuna Herath takes over the reins of SAFA [PAGE 56]


Swim on gently, O Giants! [PAGE 64]

Mixing business with productivity [PAGE 54]

The dangers of rating shopping [PAGE 14]


Now for something completely different: Wachau [PAGE 64]

A word from the President

Strengthening the accountancy profession

"CA Sri Lanka was greatly privileged to have had the opportunity to assist and support the setting up of a professional body in Bhutan, which will undoubtedly further enhance the accounting profession in the region and ultimately strengthen South Asia's role in the international accounting arena."

CA Sri Lanka takes great pride in our standing as a national body with a global outlook. With a journey spanning 55 years, today we provide leadership to the accounting profession both locally and globally. We understand the importance of staying ahead and keeping up with changes if we are to be contemporary professionals who are sought after by the public and private sectors here and abroad.

Chartered Public Finance Accountant Qualification

As a responsible professional organisation that is conscious of the public sector's critical anchor role in the economic development and progress of the country, CA Sri Lanka, together with the world's sole professional accountancy body specialising in public finance, the Chartered Institute of Public Finance and Accountancy (CIPFA), launched the specialised Chartered Public Finance Accountant qualification for the public sector as part of our efforts to further professionalise Public Finance Management in Sri Lanka.

CA Sri Lanka Chapters in the UAE and Kuwait

There is no doubt that our members are our primary stakeholders. We make every effort to ensure their progression as globally sought-after chartered accountants. Today, with 30% of our members serving in 42 countries across the globe, we understand the importance of helping them stay relevant in the constantly changing environment and context that we live in today. To complement their professional journey, we have established several chapters overseas in countries in which significant numbers of our members serve. The institute marked another important milestone when it established new chapters in the United Arab Emirates and Kuwait in April and May, respectively. These chapters include over 150 of our members and, apart from enhancing the members' professional competencies through various CPD programmes, they also serve as important platforms for social and community interaction among our members. These chapters can also be an important platform for positioning Sri Lanka in the world arena by facilitating trade and investments between Sri Lanka and the respective countries. Further, preliminary work has already begun on establishing chapters in several other countries that have significant numbers of our members.

Strengthening the Profession Regionally

Over the years, we have always endeavored to stay ahead and be relevant. We take pride in being a professional body at the forefront of embracing changes where necessary, which has helped us in our journey to be a globally recognised accounting body.

However, as much as it is important to learn, it is also important to share our knowledge with counterparts and other organisations. With that important belief, we have helped to facilitate the establishment of a professional accountancy body and introduce the International Financial Reporting Standards (IFRS) in Bhutan.

CA Sri Lanka was greatly privileged to have had the opportunity to assist and support the setting up of a professional body in Bhutan, which will undoubtedly further enhance the accounting profession in the region and ultimately strengthen South Asia's role in the international accounting arena.

Arjuna Herath
President - CA Sri Lanka

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 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 also a member of the Operations Review Committees 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, Sri Lanka, 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 University of Colombo and an MBA from University of Warnborough.

Periscope

SOUTH ASIAN CAPITAL MARKETS MUST UNITE: SEC CHIEF

Sri Lanka's Securities and Exchange Commission (SEC) chairman Tilak Karunaratne called for regional cooperation to develop South Asia's capital markets.

"If we want our (capital) markets to continue their growth and penetrate into global funds, we can no longer afford to remain isolated from each other," he told the SAFE-South Asian Investment Conference 2015 held in Colombo in April.

"There is systematic surge in the region towards a greater degree of economic integration in the real sector through bilateral and multilateral trade due to geopolitical reasons and the wealth of the nations shifting from the West to Asia. India is projected to outperform China economically and socially. As we are aware, the real economy is a mirror image of the financial economy. Thus, substantial economic progress will be accelerated only when integration in the real and financial economy develops hand in hand. On that note, the forum is seen as a timely initiative.

"Traditionally, capital markets are considered as powerful engines of economic growth that mobilize savings towards productive corporate financing. The role of financial markets has evolved further with the free flow of capital, financial deepening and financial innovation. For example, it is used in the process of financial state crafting, directed at exercising soft power across countries and regions.

"Even though the multi-dimensional and complex role of a capital market is widely accepted, developing a robust and efficient capital market is a difficult task for many emerging economies. Nonetheless, we should actively promote the significant development of the capital market in the region.

"While we promote South Asia as a lucrative destination for investment, we should not undermine the role of a constructive regulatory regime in supporting these efforts. The financial crisis that tormented growth in the West, as well as some of the Asian giants, was due to some weaknesses in the regulatory regimes that could not keep up with the rapid changes in financial markets.

"Thus, the regulators should keep pace with developments in the capital market. It is vital for us to understand the rapid changes (cross-border listings etc.) and product innovation just as well as the people who are involved at the grass root level. Further on, we should look closely at the risk involvement, as well as the gaps in and between our regulatory regimes through which certain players or products can easily slip through.

The SEC has identified major legal changes, and is in the process of fine tuning amendments to the SEC Act to keep up with the changes in capital markets and global best practices.

US$ 1.6 tN
Market cap of National Stock Exchange of India

US$ 73 BN
Market cap in Pakistan

US$ 21.5 BN
Market cap of Colombo Stock Exchange

"In the context of Sri Lanka, the SEC has spearheaded many initiatives to provide impetus to the rapid changes in the capital market. The SEC has identified the major legal changes and is in the process of fine-tuning the amendments to the SEC Act in order to keep up with the changes in capital markets and global best practices.

"Demutualization of the CSE has been in the air for a long time. I am indeed pleased to note that the Demutualization Bill is in the process of being finalized and is awaiting to be enacted into law by Parliament, hopefully in the not too distant future.

"The SEC has identified the importance of introducing a counter-party payment system to mitigate risk in the capital market. Thus the SEC, the Central Bank of Sri Lanka and the CSE are jointly working towards making this a reality. A consultancy firm specializing in capital market-related assignments globally has been entrusted to do consultancy and provide management services for the project.

"I wish to reiterate the importance of formulating a joint regulatory mechanism while safeguarding the sovereignty of the respective nations and unique characteristics in each of our markets. Joint initiatives should be taken to address overlapping concerns and interests. This might be a tedious task, as each of our markets is at a different level of development, yet not impossible.

"Regulators in the region should strive towards various bilateral and multilateral efforts that are structured not only to promote the fundamental objectives of securities regulation (protecting investors, promoting fair, efficient and transparent markets and reducing systemic risk), but also focus on facilitating the enforcement of securities laws across borders, introducing conducive tax regimes and other incentives (required infrastructure), enhancing regulatory consistency for international market participants and, moreover, combating the ill effects of over dependence within the region," Karunaratne said. ■

SUPER GAINS TAX TO BE APPLIED TO GROUPS AND INDIVIDUAL FIRMS

Sri Lanka's 'super gains tax', a 25% additional income tax, will apply to individual entities and consolidated accounts of groups of companies, according to proposed tax laws approved by the cabinet of ministers.

The tax will apply to any person or company who has more than Rs2 billion in taxable income based on audited financial statements in the tax year starting April 2013.It will also apply to groups of companies, where aggregate profits before income tax of the holding company and all subsidiaries exceeds Rs2 billion or where the profits of each subsidiary and the holding company in that group of companies exceeds the threshold.

Subsidiary companies are companies where a holding company either directly or indirectly has more than 50% of the voting shares.

The tax will be charged on every subsidiary and the holding company of a group of companies.Board of Investment companies approved under section 17 of its law will have to pay the levy under taxable income coming after the expiration of exemptions and in the case of other companies, the residual assessable tax.No specific mention has been made of foreign subsidiaries.

The tax has to be paid in three equal instalments by the 15th of May, July and September 2015.

The 'super gains tax' was one of the new taxes proposed in a revised budget on 29 January, when the salaries of state workers were raised by over 40%.

The controversial tax has come under fire for undermining rule of law and predictability by being applied retrospectively and for creating a precedent for the elected ruling class to tax unarmed citizens in ad hoc ways in the future to fulfil election promises.

However, in financing the spending needs of the elected ruling class, analysts say taxes are better than printing money, which depreciates the rupee and generates inflation.

Income taxes destroy only a specific amount of investible capital generated by a citizen during a specified period, and directs them to the consumption spending of rulers.

But currency depreciation destroys all past savings that can be invested to generate jobs and value, including the savings of weak and old citizens who can no longer work as well as the current and future real value of salaries of wage earners. (EconomyNext.com)

Fighting financial reporting fraud

Workers reporting misconduct at large companies

Financial reporting fraud is relatively rare, but it remains a serious challenge. Research from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) has indicated that the median cumulative monetary loss resulting from instances of this type of fraud is around $12 million.

"The bad news: financial reporting fraud, like most crimes, will always be a threat. The good news is that accountants and auditors, financial executives, boards of directors and other key stakeholders across the financial reporting supply chain now have more resources and knowledge than ever to aid them in deterring and detecting fraud. What's more, we know that careful and comprehensive application of resources makes a huge difference to detecting fraud at companies of all sizes," the International Federation of Accountants said in a report.

Thanks to a wide array of research efforts in recent years, there is a grasp of both the factors that lead to financial reporting fraud and the steps necessary to address those factors.

"One of the most important of these steps is for business leaders to build corporate cultures that systematically value acting ethically and doing the right thing. Such strong, ethical corporate cultures begin with executives setting the right 'tone at the top', which in turn filters down to create a strong 'mood in the middle' and 'buzz at the bottom'.

These efforts aren't just desirable in principle, they get results. A new report from the Ethics Research Center (ERC) finds that the "strength of a company's ethics culture and the effectiveness of its internal ethics and compliance (E&C) program are closely tied to workplace behaviour".

According to ERC research, an alarming 62% of workers at large companies without effective E&C programmes report observing misconduct. But at companies with effective E&C programmes, that rate plunges to 33%.

Periscope

Accountants' biggest concerns in 2015

58% of accountants worldwide say attracting new clients is a big challenge

52% of Asian accountants say the pressure to lower fees is the biggest challenge

57% of accountants said keeping up with regulations is a big challenge

The recent IFAC Global SMP Survey from the International Federation of Accountants showed that attracting new clients is a top concern for accountants in small and medium practices, with 58% of respondents rating it as a high or very high challenge.

It said this challenge was particularly significant in the Middle East, where as many as 80% of respondents rated it as a high or very high challenge, and in Central/South America and Europe (66% and 59%, respectively).

The IFAC Global SMP Survey is conducted annually, and the 2014 edition received more than 5,000 responses from accountants operating in small and medium-sized practices around the world.

Pressure to lower fees is also worrying accountants in some of these regions. As many as 68% of accountants in the Middle East, 56% in Asia and 52% in Africa consider fee pressure a high or very high challenge for their practices. This is happening in the context of increasing amounts of regulation.

The survey found that keeping up with regulations and standards was rated as a high or very high challenge by 57% of respondents. Increased regulatory responsibilities and potentially lower revenues, driven by fee pressure, make a very dangerous combination and may compromise the ability of professional firms to continue operating in the future.

CAIRN INDIA EXITS LANKA, WRITES OFF INVESTMENT

Cairn India will exit Sri Lanka later this year and has already written-off $80 million invested in offshore oil and gas exploration in the Mannar Basin.

The company made two discoveries estimated to hold two trillion cubic feet of gas, estimated to bring an economic benefit worth around $200 billion by 2040, Petroleum Resources Development Secretariat officials said.

Cairn India reported a INR2,410 million loss in the fourth quarter of the 2014/15 financial year over the write down.Sri Lankan officials have said that Cairn will not continue with field development in an off-shore block awarded to the company where some gas reserves have been found, and they were looking for a new drill partner. Gas prices have plunged over the past year, as the US dollar rose. The firm said its revenues fell to INR26.7 billion in the final quarter, down from INR50.49 billion a year earlier.

Since 2013, Cairn India and the Sri Lankan government have been struggling to negotiate a pricing formula. In its search for oil, Sri Lanka had failed to make a policy space for gas. Without new laws and a national gas policy, negotiations could not progress.

Cairn India is reported to have invested over $200 million in its Sri Lanka operations since being awarded the island's first petroleum exploration license in 2008.

HANS HOOGERVORST

IASB Chairman presents new mission statement

The Chairman of the International Accounting Standards Board (IASB), Hans Hoogervorst, recently presented the IFRS Foundation's and the IASB's newly developed mission statement and provided an update on the progress of IFRS adoption around the world. The new mission statement is consistent with the IFRS Foundation's constitutional objective: to develop, in the public interest, a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles.

However, to increase understanding of the organisation's role in, and contribution to, the global economy, a mission statement has been developed. "Our mission is to develop IFRS that brings transparency, accountability and efficiency to financial markets around the world. Our work serves the public interest by fostering trust, growth and long-term financial stability within the global economy," Hoogervorst said.He said IFRS continues to be adopted around the world, creating a bridge between countries with very different legal systems.

EU to scrutinise global accounting rules more closely

The European Union will play an active role in a review of the accounting principles that underpin the way books are checked for companies around the world, Reuters reported. Listed firms in the 28-nation EU must use book-keeping rules from the International Accounting Standards Board (IASB), which is reviewing the concepts underpinning its rules.

The IASB has faced pressure to re-introduce the concept of "prudence", or erring on the side of caution, if a rule is unclear in the way it impacts any given set of accounts. Accountants argue against any bias, but policy-makers say the financial crisis showed IASB rules were found wanting.

"Everyone understands prudence differently," Patrick de Cambourg, chairman of the French Accounting Standards Authority (ANC) told Reuters. He said the EU's accounting advisory body EFRAG will take a close look at planned changes. "We can now take time to consider what are the conceptual options we want to fix".

Europe's relations with the IASB, which declined to comment, face more scrutiny when the European Commission reports on a decade of using the global rules. De Cambourg's comments mark a public shift in Europe's attitude to the global rules it adopted in 2005. The European Financial Reporting Group or EFRAG advises the EU on adopting IASB rules and has a new board on which de Cambourg sits, with a remit to consider the wider public interest. He says this restores sovereignty to book-keeping rules in the EU after EFRAG had limited itself to technical advice.

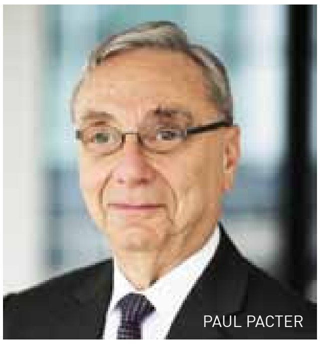
"When you have a link between sovereignty and standard setting ... then endorsement has to be a real decision, we have to measure the pros and cons," de Cambourg told Reuters.

"I am in favour of standard setting with your eyes wide open. We need to focus on relevance in accounting rules," the former head of French accounting firm Mazars added. Europe has largely adopted IASB rules without changes to avoid putting off the United States from switching to the global standards as well, but de Cambourg said it was now clear the United States would not be doing this. The rush to change accounting rules for banks in the heat of the financial crisis is also over, giving Europe more time to scrutinise book-keeping rules, he said. "Two-way traffic" was crucial with the IASB, meaning the EU would no longer take global rules unquestioningly. If this works well, he said, it would reduce the likelihood of the EU having to tweak IASB rules, De Cambourg said.

Updated guide to IFRS for use around the world

The IFRS Foundation, responsible for the governance and oversight of the International Accounting Standards Board (IASB), has published the 2015 edition of IFRS as global standards: a pocket guide. Written by former IASB member Paul Pacter, the guide provides a summary of the use of International Financial Reporting Standards (IFRS) in 138 countries around the world, representing over 97% of the world's GDP.

The pocket guide is an updated version of the guide published in 2014 and adds information on an additional



PAUL PACTER

eight jurisdictions. The summaries are condensed versions of the full Jurisdiction Profiles, which are available on the ifrs.org website, and provide a snapshot of where and how IFRS is used globally.

Of the 138 jurisdictions surveyed to date, 114 require use of IFRS for all or most domestic listed companies and banks. Only 10 do not require or permit IFRS.

In addition to the Jurisdiction Profile summaries, the Pocket Guide also summarises what IFRS is; the benefits of global accounting standards; the history of the development of IFRS; the standard-setting process; the requirements of current IFRSs; and links to further information resources.

Hans Hoogervorst, Chairman of the International Accounting Standards Board, said: "International Financial Reporting Standards bring transparency, accountability and efficiency to global financial markets. In the 14 years since the IFRS Foundation and the IASB were created, we have been successful not only in developing those Standards, but also in promoting their adoption around the world. The 2015 Pocket Guide documents the remarkable progress we have made toward a single set of truly global accounting standards."

A PDF of the pocket guide can be downloaded from the IFRS Foundation's website.

Periscope

FITCH CONCERNED ABOUT REVENUE

Sovereign credit ratings agency Fitch Ratings says Sri Lanka's fiscal performance remains weak, with revenue collection lacklustre and new taxes hurting business.

"An interim 2015 budget contained a number of one-off measures that have hurt business confidence and did little to address the lack of a medium-term fiscal framework," the ratings agency said in April when it affirmed the island's long-term foreign and local currency default ratings at 'BB-' .

"Public finances remain a credit weakness. Sri Lanka's fiscal metrics are a standout relative to the 'BB' category, notwithstanding a reduction in general government deficits to around 5% in 2014 from 8% of GDP in 2010. Narrower government deficits have contributed to a fall in public debt, despite a weaker Sri Lanka rupee, which drives up the local currency component of external public debt. Still, gross general government debt remains high at about 75% of GDP at end-2014, and Fitch believes that fiscal consolidation could stall in 2015-16 as expenditure rises and revenues remain lacklustre," Fitch said.

The ratings agency also affirmed Sri Lanka's senior unsecured foreign and local currency bonds at 'BB-' These ratings were affirmed with a stable outlook. It said that Sri Lanka enjoyed a smooth political transition following presidential elections in January 2015, reinforcing perceptions of a functioning democracy with relatively strong institutions by 'BB' standards. "Uncertainties remain about the timing and outcome of parliamentary elections, and the implications for effective policymaking in the future".

The economy continues to post strong growth, averaging 7.5% over the past five years, exceeding the 3.9% median for 'BB'-rated countries.

"However, with low foreign direct investment, growth is heavily dependent on external borrowing, while the government's pro-growth bias has constrained improvements in Sri Lanka's fiscal and current account deficits and weakened policy coherence and credibility. Recent monetary easing and continued strong credit growth lend further support to this view," Fitch said.

Low oil prices would contain the current account deficit of the balance of payments, which remains weak.

"Heavy external debt repayments have led to a drawdown of international reserves from $10 billion at end-April 2014 to less than $7 billion as at end-March 2015, raising concerns about external liquidity, particularly in the face of expected monetary tightening by the US Federal Reserve.

"Fitch expects that Sri Lanka will succeed in rebuilding international reserves to $10 billion by the end of 2015 through a combination of renewed borrowing on international capital markets, the exercise of foreign currency swaps with the Indian and Chinese central banks and onshore borrowing through Sri Lanka Development Bonds. Nonetheless, there are risks that may derail this strategy, including a potential rise in domestic political uncertainty and an adverse shift in investor sentiment, which led Sri Lanka to abort plans to borrow in international capital markets in 1Q15," Fitch said.

The main factors that individually or collectively could trigger a negative rating action are: an increase in external vulnerability, driven by a sharp decline in FX reserves due to, for instance, reduced international market access and/or a sudden reversal in portfolio inflows; a deterioration in policy coherence and credibility, leading to a widening of macroeconomic imbalances and a loss of investor confidence; a deterioration in public finances that leads to wider fiscal deficits and increases in debt.

GLOBAL AUDIT REGULATORS AGREE ON INFORMATION EXCHANGE

Members of the International Forum of Independent Audit Regulators (IFIAR) agreed in principle on the text of a multilateral arrangement for exchanging information about audit firms during a meeting in Taipei, Accounting Today reported Changes in the economic environment and the market for audit services were discussed along with their effects on the audit profession and audit quality. Panelists and audit profession leaders discussed a number of other topics, including firm revenue and growth, competition in the audit market, governance within the global audit firm network structure, and quality and extent of resources in the labour market for auditors. IFIAR members shared their insights on developments and changes to the auditor's report and audit committee reporting. They focused on extended reporting in a panel discussion with the chairman of the International Auditing and Assurance Standards Board and an investor representative.

The members received updates on a coordinated, multijurisdictional audit inspection undertaken to assess practices in group audits. IFIAR members from smaller regulators met to discuss initiating additional work targeted to serving their needs.

IFIAR members approved for publication a report summarizing the results of an Enforcement Working Group survey conducted for the purpose of developing an understanding of the mandates, objectives, and legal authority of IFIAR members' enforcement regimes, with the goal of sharing information and enhancing discussion of current and emerging enforcement issues, methodologies, and techniques. The report and a fact sheet provide extra details about the survey. The Enforcement Working Group held its first Enforcement Workshop in Taipei on April 24, which was also hosted by the FSC, Accounting Today said.

IFIAR members agreed in principle to establish a governing board in place of the current governance structure. The establishment of a permanent secretariat was also discussed.

Now is the Time to Reform Energy Subsidies and Tax: IMF

The IMF in April urged global leaders to adopt fiscal policies to support sustainable growth with lower oil prices presenting an opportunity to reform energy subsidies and taxation. In the global context of a moderate and uneven economic recovery, sound management of public finances can secure elusive growth and jobs. In its latest Fiscal Monitor, the IMF recognizes influential factors that are assisting the recovery in many countries. Lower oil prices, growth-friendly monetary policy and slower rates of fiscal adjustment are all playing their part.

However fiscal risks remain elevated, the report warns. Advanced economies face the triple threat of low growth, low inflation and high debt. Emerging and developing economies have experienced softening growth and higher costs linked to financial and exchange rate fluctuations. Exporters of oil and commodities have been hit with lower revenues.

Smart taxation and spending and strong fiscal frameworks make a huge difference. "Fiscal policy continues to play an essential role in building confidence and supporting growth," said Vitor Gaspar, Director of the IMF's Fiscal Affairs Department.

The Fiscal Monitor outlines three main recommendations. First, it advises strengthening fiscal frameworks so as to manage public finance risks and ensure debt is sustainable. Sound management can play a supporting role in delivering macroeconomic stability and growth. Secondly, falling oil prices present an opportunity to reform energy subsidies and energy taxes. More than 20 countries have recently taken steps to cut energy subsidies, including Angola, Cote d'Ivoire, Egypt, India, Indonesia and Malaysia. Getting energy prices right would be beneficial to the economy, environment and public health. It would assist governments with their fiscal consolidation efforts or make further investment in critical areas such as education and health. In advanced economies, taxes on labour could be cut, and paid for with higher energy taxes.

Thirdly, the Fiscal Monitor's analytical chapter explains why a stable macroeconomic environment is a growth-friendly one. Its analysis of 85 economies over three decades has a clear conclusion. Fiscal policy can stabilize output and gain about 0.3% extra growth annually. A blog by the IMF's Xavier Debrun sums it up as governments needing to save in good times so they can stabilize output in bad times. *(IMF Survey)*

CARRY THAT WEIGHT: TOP UK BANKS BURDENED BY CONDUCT AND LITIGATION CHARGES

The four largest U.K. banking groups have borne GBP 42 billion in conduct and litigation charges over the five years to 2014, according to calculations by Standard and Poor's.

"This is an extremely large amount, equivalent to about 7.5% of their revenues during this period. Moreover, these charges came on top of almost GBP 16 billion of announced restructuring costs over the same period as these banks re-engineer their business models and their profiles," the ratings agency said. The banks have also incurred over GBP 5 billion of expenses related to the U.K. government's bank levy since 2011. Their earnings' performance would have been much worse had they not strongly improved loan book performance over the past one to two years.

> Bigger the culprit...
> **GBP42BN**
> **OUT OF**
> **GBP 48BN**
> Bigger the bank, bigger the conduct and litigation charge: Nearly 88% of these charges are accounted for by the UK's top four banks.

"We calculate that U.K. banks and building societies have incurred GBP 48 billion in conduct and litigation charges over the five years to 2014. The four largest U.K. banking groups account for GBP 42 billion of this total," Standard and Poor's said.

"Our base-case aggregate assumption factors in a further GBP 19 billion of conduct and litigation charges for these four banks over the next two years, but small amounts for other U.K. banks and building societies," it said."By contrast, the next two largest U.K.-focused financial institutions, Santander UK PLC and Nationwide Building Society, and indeed many smaller U.K. banks and building societies, have been far less affected by conduct and litigation charges, especially in 2014.

"This is an important relative positive given that their revenue streams are less diverse than the four largest banks. Our ratings assume less volatility in their statutory earnings over the next two years, which helps us gain confidence in their capital measures."

By
Devan Daniel

The dangers of rating shopping

Credit ratings don't just help risk pricing but play a crucial role in regulating banks and the capital market, so their accuracy has far reaching implications. This is why the SEC is looking at rating shopping closely.

Capital market watchdog, the Securities and Exchange Commission (SEC) issued a new directive with regards to credit ratings, but this may not be enough to prevent companies from shopping around for better ratings. Companies have issued a record number of bonds by value last year taking advantage of low interest rates and tax concessions. Bond market booms generally benefit credit rating agencies and competition between the two largest ones here–Fitch Ratings Lanka, a unit of a multinational and Lanka Rating Agency (LRA), a firm that was controlled by Malaysia's RAM but now owned by Sri Lankan investors–has intensified in the last couple of years since interest rates started declining. If the race for credit rating market share is won by awarding overgenerous ratings instead of value for money type competition it could lead to portfolio investors depending on rating to misprice risk and over time erode rating agency credibility. LRA has become the credit rating agency of choice for firms that can't stomach a Fitch Ratings Lanka downgrade or its 'negative ratings watch' classification, an indication a downgrade could be around the corner. At LRA, firms that dump Fitch are awarded a rating one to three notches higher than the one withdrawn

> **Because issuers rather than investors pay for ratings companies, issuing bonds have a lot to gain in terms of lower borrowing costs by getting them rated.**

Perspective

Leaving for greener pastures

These companies terminated their contracts with Fitch Ratings Lanka after a downgrade, and contracted the services of Lanka Rating Agency

COMPANY	Downgraded by Fitch Ratings Lanka to	LRA assigns new upgraded ratings
Hayleys	A+/Negative	AA-/Stable, one notch higher
HDFC	BBB/Stable	BBB+/Stable, one notch higher
Vallibel Finance	BB-/Negative	BBB-/Stable, three notches higher
Softlogic Holdings	BBB-/Negative	A-/Stable, three notches higher
LOLC	BBB+/Negative	A-/Stable, rated one notch higher by ICRA Lanka

Fitch Ratings Lanka currently rates 41 entities and Lanka Rating Agency 54. ICRA the third player rates 8 entities.

by Fitch Ratings Lanka. Clearly LRA - which has an identical ratings scale to Fitch and other global agencies Moody's and Standard & Poor's -consistently concludes firms have better debt repaying capability than does Fitch. LRA argues, being a Sri Lankan firm, it understands local economic and business nuances better than a multinational with a straightjacket approach. Its critics argue the firm is simply overrating to sign up lucrative contracts. In October 2014 Lanka Rating Agency (LRA) assigned a credit A- rating to diversified Softlogic Holdings. It said, 'the rating was upheld by its well-diversified business interests, moderated by high borrowings'. The gearing ratio was 2.36 times. LRA rating came on the back of the company removing Fitch Ratings Lanka. Fitch had downgraded Softlogic Holdings to 'BBB-', just above the junk bond waterline, two notches from 'BBB+'. "The two notch downgrade reflects the aggressive investments and capital structure and the weakness in its liquidity profile and financial metrics which are not considered appropriate for the previous BBB+ rating,' Fitch said announcing the downgrade. While LRA said the acquisition of up market fashion retailer Odel was beneficial to maintain Softlogic's A- rating, Fitch said the acquisition put further pressure on already high debt. If credit ratings agencies acquire a reputation for being overgenerous, they will simply lose credibility with portfolio investors - who will stop relying on their opinion. However overzealous ratings don't only merely undermine the credit rating

In response to the 2008 global financial crisis where overrated financial instruments figured prominently, regulators have tried to reduce ratings agencies' influence and kept a keen eye on their conduct.

agencies' own business model but has far reaching consequences on savings, pension funds and financial sector regulation, all of which directly impact ordinary people. Most ordinary people don't understand credit ratings and won't know how mispriced risk impacts their bank savings or future pension returns. This is why it's important to appreciate how ratings influence regulation.

Firstly, credit ratings can impact accessibility of those securities to the public, which then impacts demand and pricing. For instance the Colombo Stock Exchange doesn't allow junk bonds (those with an issue ratings below BBB on ratings scales of Fitch and LRA) to be listed. A firm with a junk bond issue rating could opt for an agency that may have a better opinion of its ability to service its debts and obtain an investment grade rating instead.

Secondly, risk based regulating has allowed banks to have lower capital buffers on loans to clients with good investment-grade ratings. If repayment capacity of borrowers on average is weaker than their credit ratings denote, it would mean the banks would need the largest capital buffers to maintain the loans to these overrated entities. So the underlying risks of the financial sector are probably much higher than the regulator and the banks themselves imagine, requiring a larger capital buffer than the one currently available. Thirdly, state controlled pension funds are piling on to corporate debt. Unlike private portfolio managers, the managers of the EPF and the ETF will rely more on ratings

Perspective

The best of both worlds

These companies have credit ratings from both Fitch Ratings Lanka and Lanka Rating Agency

COMPANY	Fitch Ratings Lanka	Lanka Rating Agency
Commercial Bank	AA	AA+, one notch higher
People's Bank	AA-	AAA, three notches higher
Sampath Bank	A+	AA, one notch higher
Pan Asia Bank	BBB	BBB, no change
Union Bank	BB+	BBB, one notch higher
Sanasa Development Bank	BB+	BBB, one notch higher
Bank of Ceylon	AA+/Stable	AAA/Stable, one notch higher by ICRA Lanka

Fitch Ratings Lanka currently rates 41 entities and Lanka Rating Agency 54. ICRA the third player rates 8 entities.

to determine their buying of these securities and the pricing. State controlled pension funds only invest in investment grade debt issues.

Fourthly, the usefulness of entity credit ratings which are mandatory for financial institutions to obtain and publish, so that the public can be aware of the comparative risks in them, becomes less meaningful. Perceived conflicts of interest can also erode credibility. For example, the Deputy Chairman of Commercial Bank of Ceylon Preethi Jayawardena is also Chairman of Lanka Rating Agency, which has awarded the bank a AA+ rating, one notch higher than the rating from Fitch Ratings Lanka.

Because issuers rather than investors pay for ratings companies, issuing bonds have a lot to gain in terms of lower borrowing costs by getting them rated. Industry critics have always argued that allowing issuers to pay for ratings incentivizes agencies to inflate them to please clients. The danger is that a small group of people at ratings agencies will put the financial wellbeing of their firms ahead of their obligation to the public and markets. A utopian solution is to have investors pay for ratings instead of the issuers. In response to the 2008 global financial crisis where overrated financial instruments figured prominently, regulators have tried to reduce ratings agency influence and kept a keen eye on their conduct. In the European Union a whole new regulator, the European Securities and Markets Authority is doing this job while across the pond in the US the Dodd-Frank act required the capital market regulator there, the SEC, and the Federal Reserve, the American central bank, to tighten regulation of ratings firms.

"We see a problem when an upgrade is given by one agency while another has downgraded the same entity," the SEC official said.

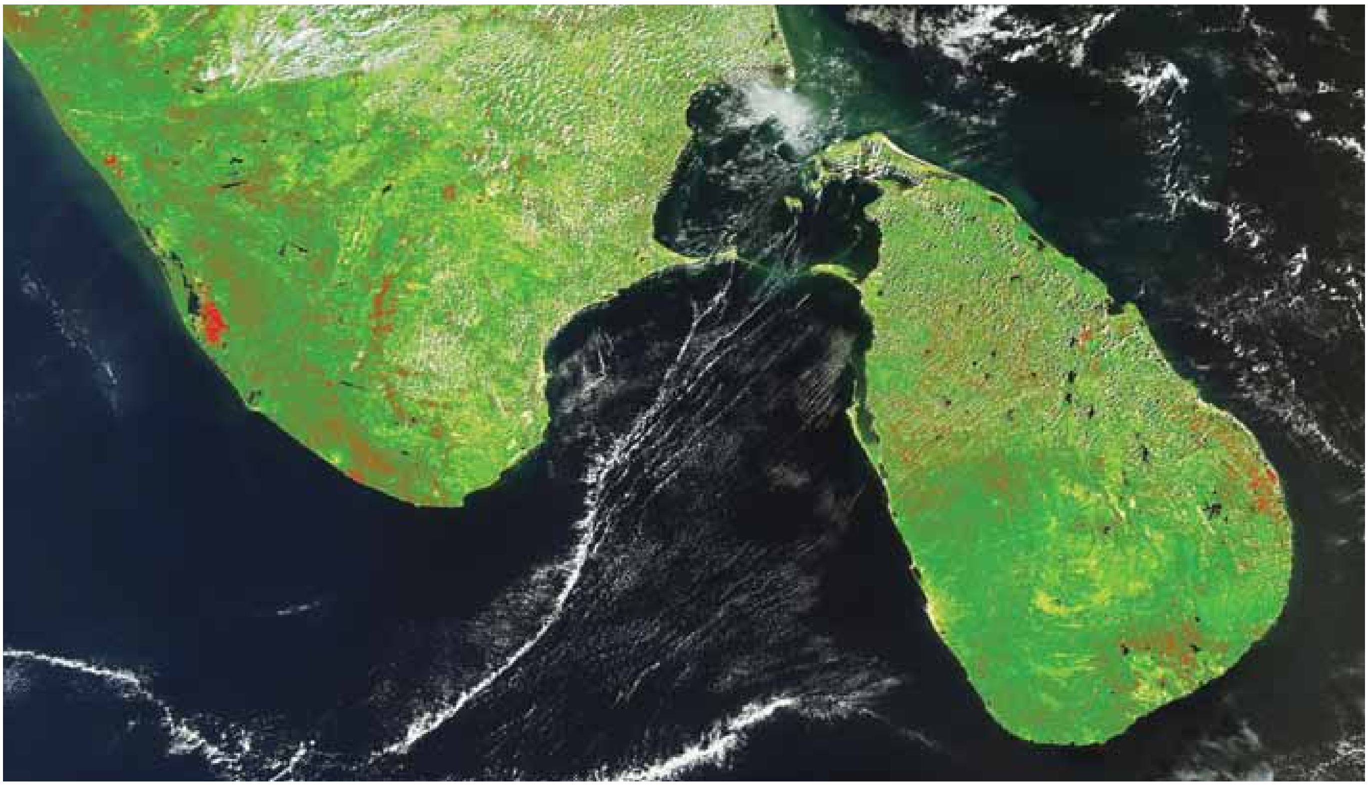
"We want to be able to reconcile the credit ratings of Lanka Rating Agency and Fitch Ratings Lanka. We may have to look at their methodologies," said an official of the SEC not wanting to be named.Last December, the CSE amended its listing rules for debenture issues: "In the event an applicant entry has obtained two or more ratings for the debt security from different rating agencies...the lowest of such ratings shall be considered when listing the debt security. If the debt issue is provided by an unconditional and irrevocable guarantee by a bank, and this bank has obtained two or more ratings at the same time from different ratings agencies, the lowest of such ratings shall be a minimum of a 'A' rating".

"We see a problem when an upgrade is given by one agency where another has downgraded the same entity," the SEC official said. "One possibility that has been discussed is whether a uniform model could be followed," he said.

By
Devan Daniel

Using the FTA to debunk CEPA is wrong

Opponents of deeper trade ties with India are on top but their arguments don't hold. Only strong political leadership will bring sanity to the debate



Finalizing a comprehensive economic partnership agreement (CEPA) with India will require a strong government. The anti-CEPA lobby has already won over emotions and sentiments making the pro-CEPA lobby's rational arguments useless. Only determined political leadership will help bring sanity to the debate and help people see CEPA for what it really is–opportunity.

Sri Lanka's FTA exports to India have grown 40-fold from 2000 to 2013 while imports from India under the FTA grew six-fold. Policy makers have been trying to replicate this success in the services and investment sectors through a Comprehensive Economic Partnership Agreement (CEPA). CEPA was to be signed in 2008 by former President Mahinda Rajapaksa but an anti-India lobby thwarted it after a few business leaders expressed concern that Indian workers would swamp the island and create mass unemployment. It's back on the menu.

Opponents of CEPA point out that India had benefitted unfairly under the FTA. But this is not the case.

In March 2015, India's premier NarendraModi became the first head of state from across the Palk Strait to visit Colombo in nearly three decades and he invited Sri Lanka to bring CEPA back to the table. This reactivated the anti-CEPA and anti-FTA lobby, the most vocal among whom are exporters and manufacturers who claim FTA failures would be magnified by CEPA. None object to Indian investments, which have grown to over US$ 1 billion since 2000.They claim that the CEPA would be irrevocable leaving Sri Lanka at India's mercy.

But a closer examination of trade data suggests the FTA was a success as far as Sri Lanka's exports are concerned. Trading with India is

Perspective

a bureaucratic nightmare but many exporters have enjoyed success there and CEPA included measures to deal with barriers besides import duty (called non-tariff barriers) at federal and state level. Technocrats familiar with CEPA had shared this and other positives of the proposed deal from time to time.

Negotiating the deal could take years. The plan was to formalize a basic agreement and then keep building upon it; both countries have the ability to negotiate around areas of trade, services, investment and labour mobility and include them as schedules to the CEPA document. This also allows schedules to be removed. If Sri Lanka is unhappy with a certain arrangement it can be removed from CEPA.

Sri Lanka's technical negotiating team had insisted that India needed to make allowances for Sri Lanka's small size, and the Indian negotiators agreed to deal with this asymmetry by granting "special and differential treatment" to Sri Lanka as it did with the India-Sri Lanka FTA. This was a crucial development.

Policy makers, technocrats and business chambers that had followed the formulation of CEPA sensitized segments failed to educate stakeholders about this crucial point and the vocal anti-CEPA lobby benefited by this. Moreover, CEPA also did not fit the political leadership's nationalistic stance in 2008.

Opponents of CEPA point out that India had benefitted unfairly under the FTA. But this is not the case. Under the free trade agreement, Sri Lankan exporters clearly benefitted.

In 2000, of Sri Lanka's US$ 55.6 million exports to India 16% or US$ 8.6 million was under the FTA. By 2013, total exports to India had grown to half a billion US dollars with the FTA accounting for 65% of this or US$ 354 million. Compare this with how India fared under the FTA. Imports from India amounted to US$ 600 million in 2000 of which 9% or US$ 53.9 million was under the FTA. By 2013 imports from India ballooned to US$ 3,092 million but imports under FTA amounted to just 13% or US$ 393 million.

Clearly, Sri Lanka's exports had grown because of the FTA whereas it relied heavily on Indian imports that fell outside the scope of the FTA. Copper and vegetable oil had dominated Sri Lanka's FTA export basket, but by 2005 a dispute with India ended this, resulting in a near US$ 100 million decline in exports to India the next year. But Sri Lankan exports have since recovered and diversified into value-added tea, insulated wires and cables, intimate garments, furniture, tableware, rubber gloves and machinery.

Sri Lanka's exports under the FTA had grown 877% from 2000 to 2013 whereas imports from India had grown by just 415%. The trade deficit as a ratio of imports to exports under the FTA had shrunk sharply from 6.2 times to 1.1 times.

Sri Lanka's exports under the FTA had grown 877% from 2000 to 2013 whereas imports from India had grown by just 415%. The trade deficit as a ratio of imports to exports under the FTA had shrunk sharply from 6.2 times to 1.1 times.

These trade figures fail to convince CEPA's opponents who claim that India is rife with non-tariff barriers and bureaucratic red tape. This is true, but CEPA was intended to address these issues. Scuttling CEPA leaves FTA problems unaddressed. Technocrats close to the CEPA negotiations claim several measures were taken to incorporate hassle-free trade across India's border and at state borders.

This was what the CEPA negotiators had agreed:

India agreed to remove 114 items off its negative list while Sri Lanka agreed to remove 36 items off its negative list in a stake -holder driven process. The Indians had earlier relaxed quotas on up to eight million pieces of ready-made garments from Sri Lanka of which three million is allowed in to India duty free with no entry restrictions as long as the fabric is of Indian-make.

During the final round of deliberations India said they would increase the duty free component to six million pieces while the balance was to receive a 75% margin of preference.

India also decided to relax Rules of Origin, which impose limitations of exporting goods produced with imports by several Sri Lankan industries, in a bid to assist the country. Over 436 products have been classified into this new category, an increase from 5% to 75% of total Sri Lankan exports to India.

Both countries agreed to review their negative lists each year. The negative lists include goods for which preferential treatment are not given. The two countries would have been required to bring about a convergence in their regulatory frameworks. Different systems, especially at customs and clearance undermine the deal and a need to develop a legal framework for customs integration and cooperation was identified. CEPA also proposed to develop mechanisms for better protection, dispute settlement and prevention of dumping. These agreements were widely circulated, but unfortunately after the anti-CEPA lobby gathered steam then President Mahinda Rajapaksa decided to abandon the deal, and information was withheld. Proponents of CEPA could not make a meaningful case without data to show and the fear-mongering anti-CEPA lobby

Perspective

thrived.While India may have been noble in not insisting on reciprocity on account of Sri Lanka's small size, its officials were prone to bullying too. Proponents of CEPA who had dealings with officials across the Palk Strait say bureaucratic arrogance made it difficult to engage. Also, India had not taken enough steps to make meaningful concessions for Sri Lanka's export strengths such as apparel and tea. However, these were minor irritations, and Sri Lanka's negotiators were able to make some meaningful inroads in the areas of services, movement of people and investments.

By 2008, the following schedules had been included after negotiation and it was felt the initial CEPA agreement was ready for signing and implementation, although these schedules required more work and fine tuning.

Services and mobility of persons:

India offered to open 40 services sectors to Sri Lankan businesses. Sri Lanka committed to opening up just nine sectors.

India's Commitments: Architecture, Medical and Dental, Veterinary, Research and Development in Natural Science, and Social Science, Real Estate Services, Rental and Leasing Services, Management Consultancy, Technical Testing and Analysis, Services related to Energy Distribution, Maintenance and Repair of Equipment, Building Cleaning Services, Packaging Services, Convention services, Telecommunication, Construction, Wholesale Trade, Environmental Services, Higher Education and Tourism.

Sri Lanka's Commitments: IT, Naval Architects, Skilled Welders and Fitters, Project/Ship Managers, Repair Engineers, Convention Services, Healthcare (outside the Western Province), Tourism and Travel and Audio Visual Services.

India agreed to open its borders to Sri Lankan workers and professionals in the above sectors under the following conditions: A stay of 180 days was allowed to start-up operations in India and once a Sri Lankan company was set up there, Sri Lankan professionals could be employed for tenures not exceeding five years. Sri Lankan professionals could also work for Indian companies in engineering and IT related industries for a period of one year. While Sri Lankans can open companies in the rental and leasing sectors, accounting and research and development in agriculture, labour mobility was to be restricted.

Sri Lanka's Commitments: In Computer Related Services Sri Lanka will allow Indians who are expert trainers and technical staff comprising not more than 10 percent of the total staff for every US$ 100,000 invested. Naval Architects, skilled welders and fitters, project/ship managers, repair engineers, automation engineers and technicians are the other professionals who would be allowed into Sri Lanka under CEPA.

The anti-CEPA/ FTA lobby has little to complain about Indian investments in Sri Lanka amounting to a little more than US$ 1 billion with another US$ 1 billion in the pipeline.

Those who had seen the CEPA documents claim that Sri Lanka had mostly listed its existing law governing the movement of people into the country as was the usual practice. But the sudden withdrawal of documents from the public domain made it difficult for the pro-CEPA lobby to convince anybody nor to verify the accuracy of this claim.

Investments:

The anti-CEPA/FTA lobby has little to complain about Indian investments in Sri Lanka which amount to a little more than US$ 1 billion with another US$ 1 billion in the pipeline.

Under CEPA, Sri Lanka's commitments saw Indian companies receiving the same status as a national company in the pre-establishment period during the process of making an investment. However, Sri Lanka could decide on a case-by-case basis whether or not investments from India to a particular sector would be allowed.

The scope of application would include a broad range of investments including movable and immovable property, shares, stocks and debentures, contracts for turnkey, construction and International Property Rights. All stages of the investments, pre-establishment and post-establishment, were covered by CEPA. Taxation, incentives and grants and government procurement were excluded so as to allow policy space.

While Sri Lanka makes a commitment that no foreign investment would be acquired unfairly, a safety clause was to be added that the government could acquire such investments for a public purpose with an obligation to compensate the investors.An Investor-to-State Dispute Settlement Mechanism was to be established. Under this mechanism Indian investors would be able to seek recourse at a neutral forum and is open to international tribunals. However, investors in the pre-establishment stage will not be able to access international tribunals as investment would not have arrived.Despite the success of the FTA and safeguards incorporated into CEPA, its opponents are not convinced that it could help Sri Lanka. The underlying problem is the trust deficit. The anti-CEPA lobby did not trust Mahinda Rajapaksa's motives and successfully stalled CEPA. Policy makers need to build trust if CEPA is to work and benefit the Sri Lankan economy.

FIND IT FAST

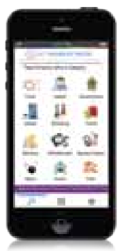
Shop With a Click...

Download the SLT RAINBOW pages Mobile app now
and find places for shopping at your choice.

The app features Shopping malls, Cloths shops, Beauty care products and Leading Business and Government Organizations, Product and Services, Logos, Digital Pages and much more...

The app is available in Android and iOS platforms.

Download the SLT RAINBOW pages Mobile app
It's free



Interview

Building financial leaders in emerging economies

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is pleased to announce the launch of the Strategic Financial Leadership programme in Sri Lanka, a joint initiative with Euromoney Training Asia Pacific, in June. The Strategic Financial Leadership programme will be held from 25 to 27 June 2015. CA Sri Lanka took the opportunity to ask Course Director Raj Gandhi about the importance of this programme, and the challenges facing financial leaders globally and in emerging economies like Sri Lanka.

RAJ GANDHI (FCCA, FCT, FHEA)
FOUNDER & CHIEF EXECUTIVE OF GGV LONDON

What is your business background?
A: I was based in London for 25 years, working in multinationals and SMEs, culminating in a chief financial officer role in a listed company. I worked closely alongside the chief executive officer to develop an overall strategy and help deliver controlled growth of London Capital Group. Prior to this, I worked at Royal Dutch Shell initially as their global audit manager for treasury, and later as a business analyst in group reporting. Other senior roles were with prominent institutions like Man Group, Burberry and Harrods.

> If travelling is this difficult for me, I wonder how foreigners can manage it - especially if they try to do so on a low budget.

Since 2011, my focus has been on consulting and executive development in finance, treasury and risk. I provide solutions under my own company GGV London and for prominent institutions such as Euromoney, the Institute of Directors, ACCA and ACT (corporate treasury).

What is your perception of the changing role of financial leaders?
A: The role is indeed changing and expanding! It has certainly gained prominence in recent years, and calls for more strategic and sound financial

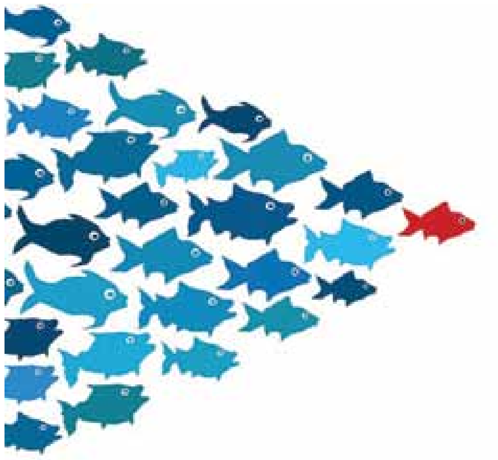
leadership. Financial leaders have to exude executive presence and possess soft skills. They need to persuade and influence the board and stakeholders more than ever. To be successful, a financial leader must have a very clear and precise understanding of the expectations of the chief executive, the wider board members and management teams across the organisation. They need to engage more and become a credible and trusted business partner.

What are the challenges faced by financial leaders in becoming more strategic?
A: The initial challenge is to overcome the change in personal mindset, transitioning from management into a leadership role. This must be supported with the willingness to embrace accountability, not just for financial decisions but also for monitoring and reporting strategic alignment across the organisation. These require a solid understanding of what the organisation has chosen to do, and how it will execute and assess such aspirations. The ability to push back hard whenever strategic vision deviates or becomes unclear, to engage with business management, and to advise and deliver strategy are vital attributes to becoming a trusted valued partner.

How can a financial leader be a business partner?
A: Based on my experience in recent years of training financial leaders globally, the starting point has to be a thorough understanding of the meaning of finance business partnering - i.e. what it entails, opportunities and limitations. The ability to interpret, articulate and drive financial decisions is also a prerequisite. This requires deep insight on a diverse range of issues, the ability to advise senior management on crucial business planning assumptions, and to highlight financial implications of policy initiatives and strategic decisions.

What are your thoughts on critical challenges facing financial leaders in emerging economies?
A: They need to be more agile and accustomed to dynamic economic, political and business environments. The pace of change requires much more forward thinking and looking out for blind spots and risks that could impact the overall corporate strategy adversely. This is in addition to keeping a watchful eye on current performance and trends. Financial leaders will need to sharpen their reporting and communication practices to provide more intelligent decision-making information that ensures financial stability in the future. Ultimately, the profit to cash conversion will likely receive more focus, thereby ensuring business sustainability. All this requires attention to detail in critical areas given the uncertainty that can surround developing economies - e.g. access to funds, reliable historical data, accuracy of business plans and forecasts, evolving regulatory and tax environment, and talent capability.

Any hotel can be a disaster, but the risk of this occurring is inversely proportional to star class. Often, you can trust five-star hotels. Even three-star and four-star hotels aren't very risky, but there can be exceptions. However, things can be nasty towards the lower end.



What is the structure of the programme?
A: It is a highly interactive and engaging programme delivered (in a workshop style format) by a former CFO, reflecting on recent experiences of consulting and training financial leaders globally. The focus will be on challenges faced by financial leaders in their current environment and the possible tactics and solutions deployed to overcome such challenges. There will be ample opportunity to network and engage in discussions concerning topical areas such as formulating strategy, linking finance strategy to planning and execution, risk and internal control, corporate finance, treasury and cash optimization, mergers and acquisitions, governance, stakeholder management, reporting, talent management, fraud, and bribery and corruption.

What can participants expect?
A: The overarching aim is to inspire and empower participants by providing them with a unique perspective on the expectations of this increasingly demanding and evolving role. Based on participants who have attended similar programmes recently in the UK, Africa, Middle East and Asia, you will gain insights into best practices adopted to deliver value beyond the traditional financial role.

Interview

IAN BALL: THE FUTURE EVENTUALLY ENDS UP IN YOUR BACKYARD

"An inefficient government is a constraint on the economy and a burden on society"

BY **VINOD MOONESINGHE**

The Chair of the Chartered Institute of Public Finance and Accountancy (CIPFA), Ian Ball is a New Zealander by origin. In his native land, he was in the Government Treasury, and was later both a consultant and an academic. He lived for a number of years in the USA and served as the head of the International Federation of Accountants (IFAC). He is currently domiciled in the UK, where CIPFA is headquartered.

IAN BALL
CHAIRMAN,
CHARTERED
INSTITUTE
OF PUBLIC
FINANCE AND
ACCOUNTANCY

Can you tell us something about yourself and your organisation?

I am here in my role as Chair of CIPFA International and what we do at CIPFA is to work with other professional accountancy organisations throughout the world and support them and improve the quality of their management. Globally, there is a significant lack of awareness among governments and public sectors as to just how much they can benefit from having good financial systems. I am not really talking about a trivial benefit, but about operating at a substantially more efficient and productive way. When you think about the amount of resources consumed by governments, we can find ways of managing it better, making the citizens of the world a lot better off than they are. An inefficiently-run government is a constraint on the economy and a burden on society. We are trying to find ways of making governments operate more effectively.

I don't think that it is a simple relationship between accounting and corruption, but I do think the better accounting you have in place, the more comprehensive the system, the more effectively it is run.

All these things make corruption more difficult.

Why accrual accounting, as opposed to cash accounting?

Cash accounting is what most accounting professionals do, which is count the cash that comes in and the cash that goes out, and that is about it, really! While that sounds very simple - in fact most governments don't report in a way that is very simple. If you look at the financial statements of any government they are actually extremely difficult to understand.

Accrual accounting, by contrast, takes account of flows of resources that are not reflected in cash. So, for example, if a government were to give away an asset, that is the loss of a resource. There is no cash flow,so under cash accounting you wouldn't see it, but under accrual accounting you would see it.

So accrual accounting is a better measure of how well-off you are: if you have a surplus, then you'll be better-off at the end of the year; if you have a deficit, you'll be worse-off. And it reflects fully what assets and liabilities a government has, in a way that cash accounting doesn't. Accrual accounting, in that sense, is just normal accounting, certainly for a company! Really, the issue is that if you want to understand the financial position and the financial performance of any organisation, you need a richer set of information than you get just from the cash flow, which is what accrual accounting is trying to do. It is trying to paint a better picture of how well-off a government is compared to earlier, and it is also useful if you are looking forward, projecting your path forward in terms of financial performance.

How does it help governments in forecasting their future expenditures, requirements for taxation and so on?

What it means is, you have got a very good idea of exactly where you are. For example, with accrual accounting you will know, much more accurately, what taxes you are owed, which gives you an ability to understand better when you might receive those tax flows. If you are managing cash flows, talking about assets, you are not thinking so much about how long this asset will last, when you will need to replace it. Under accrual accounting you have a better basis to project when you might want to do so.

There is also a more fundamental problem, about the information that you have as a politician or as a citizen to evaluate things and look forward. Under cash accounting, you won't account for the increasing superannuation and pension obligations you have to public servants, whereas under accrual accounting, you recognise that you pay public servants a certain amount of cash, but you also assume a certain obligation to pay them a certain amount in the future by way of pensions.

That kind of information is very helpful in understanding not only where the government is now, but also what its liabilities are going to be in future. Just as an example, what we have seen recently in many US cities and states is that they have got into significant financial difficulties because they have, effectively, been operating on a cash basis. So, when faced with claims for increased remuneration from public servants, they can't give them a cash increase because they can't meet their pension increases. The future eventually ends up in your back yard. So what we are seeing is that quite a number of states have got into serious financial difficulties because they haven't understood what their financial position is and what the implications of financial management are for their future solvency.

Accruals accounting is good for managing your finances and tracking your future expenditure now, but it is also important in shaping the public debate too about what the position is of the government and what needs to be done about it. Most governments have to fund superannuation schemes, whereas in the private sector most companies have moved away from to contribution schemes. Most governments have not, in the past, paid enough attention to these issues.

What, in your experience, has been the effect of accrual accounting on governance?

My greatest experiences were in the context of New Zealand, and there the results have been extremely positive, in the way that the government has managed its expenditure while still providing services, and the way that it has kept the public informed. The New Zealand Government produces monthly financial statements on an accrual basis so the electorate, the citizens, are fully informed about the state of finances.

And politicians, when they make decisions are very conscious of the fact that, if they make a decision that has negative economic or fiscal consequences, it will be apparent to the public; that changes the way they make decisions.

I think a lot of the benefits we see in terms of fiscal discipline come from the transparency which is associated with accrual accounting. If you look at New Zealand's fiscal, economic and social progress over the last twenty years, that added information has been good for the way the government has operated, but more importantly it has been good in terms of the impact the government has on the community.

What do you think are the impacts of cultural values on the accounting practices of governments?

It is an interesting and difficult question. There is not a clear answer to it, in the sense that some of the cultural differences might in some ways explain why governments behave in a certain way. For example, the notion that governments need very rigid and regulated civil service payment systems is because of the risk of people behaving other than properly; that is a good thing because you do want your management system to make corruption more difficult in running the government.

On the other hand, it is also true that in many cases regulation can actually foster corruption. If you have a regulation that makes something illegal or requires you to get approval to do something, corruption may emerge from that. I don't think that it is a simple relationship between accounting and corruption, but I do think the better the accounting you have in place, the more comprehensive the system, the more effectively it is run, all these things make corruption more difficult. That is one of the real benefits from the government's perspective. That applies whether a country is ranked high or low in the corruption indices.

I have observed that the countries which have been most inclined to move towards more transparent accounting are also those that generally rank higher in terms of perceptions of corruption. So it is not New Zealand alone, by any means, it is the Scandinavian countries and the Northern European countries, the UK , the USA, that fall into that category, and have moved to be more transparent in financial reporting.

An inefficiently-run government is a constraint on the economy and a burden on society.

We are trying to find ways of making governments operate more effectively.

A question that arises, especially in the context of Sri Lanka, is the level of competence that is required in government accounting to implement the reforms you mention.

Well, no government which is operating a cash accounting system has the capacity to really run an accrual system. They don't need those competencies. As was the case in New Zealand, we had very few accountants in government before we moved to accrual accounting. We had to recruit them in order to develop and run the systems. The question arises in different countries, what is the mechanism encouraging employment of accountants in government? In many countries there are barriers, in many places the salaries are very low for accountants in government.

To me, the challenge for a government is to say that they want to be transparent, then we need to find the accountants in the salary range within the remit of the government.

It is a challenge: governments, if they are serious about managing their finances, have to figure out how to pay us. And I am sure that accountants are not the only professionals who are paid better in the private than the public sector. Governments do manage to employ engineers, doctors and lawyers, so the question really is whether they are using that as an excuse to avoid employing accountants in an effort to avoid being transparent. To me the challenge for a government is to say if we want to be transparent, then we need to find the accountants in the salary range within the remit of the government. The question is whether they regard accountants as important enough to warrant making those changes.

Your organisation has signed a memorandum of understanding with CASL on qualifications. Have you any comments?

The MoU was in response to an offer that CASL made to professional organisations around the world. We believe that because we were the only professional accounting organisation that focuses entirely on the public sector and public services, we possess a set of resources and a set of professional competencies that is increasingly needed in other jurisdictions. In most countries, as in Sri Lanka, the accounting profession has focussed primarily on the private sector, and as governments decide to improve their finances, they need more resources and professional accounting organisations are one of the places they look for support in their transition. We have been collaborating with other professional organisations so that they are equipped to work with their governments. That really was the origin of the work we are doing with the Institution here. We have developed our relationship over the last couple of of years and this is the latest version of that good working relationship.

Sri Lankan public servants retire at least 10 years before those in developed countries. Do you see a possibility for them to find employment with governments abroad?

As living standards improve, and as people's health stays good, and they start living longer, they are able to work longer; that is one of the facts that governments have to accommodate when they manage their finances. One of the reasons that CIPFA has made this offer to other professional accounting organisations throughout the world is that there is a significant push towards governments doing their accounts well, and that does require resources. There is a really noteworthy amount of accounting skills needed by governments around the world now. Of course there are immigration and other barriers to entry, but nevertheless because the accountancy resources needed for the transition from cash to accrual accounting are not currently there, so they need to obtain them elsewhere. So there is space for accountants, of whatever age, to move from one jurisdiction to another and as accountancy becomes a more international language - it has always been regarded as the international language of business - and as it loses dialects, so to speak, as international accounting standards become common, then the ease with which human resources can move across borders increases. ■

Managing Volatility
Facing Evolution
Navigating Complexity
Creating Value

In and Out of the CFO's Role: The Game beyond the Numbers

The Strategic Financial Leadership Programme

Learn and debate over the battle of the CFO

Finance and Intelligence at it's Highest Level

A workshop exclusively for CFOs ONLY

Dates: 25, 26, 27 of June 2015
nuwan.dishan@casrilanka.org
0112352045

Investment per participant
Rs 235,000.00

CA | BUSINESS SCHOOL
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

EUROMONEY TRAINING

CHANDI DHARMARATNE, DIRECTOR OF HUMAN RESOURCES, VIRTUSA SRI LANKA

Portrait

High maintenance: Managing tech-savvy, impatient millennials

Virtusa Colombo's Head of Human Resources **Chandi Dharmaratne** has the unique challenge of engaging and inspiring millennials

BY **ISANKYA KODITHUWAKKU**

Over 85% of the team at Virtusa Colombo are millennials, loosely categorized as the generation born between 1980 and the early 2000's. Having come of age using mobile phones and Facebook, this generation is impatient, tech savvy and hyper connected. They're born networkers and like fast-paced working environments, want quick promotions and dislike traditional rules and settings. Most want flexible work schedules and nonstop feedback and pats on the back. At the same time, they're confident and strongly opinionated about how work places should be run. They think the boss can learn something from the younger employees too. Virtusa's head of human resources in Colombo, Chandi Dharmaratne has the unique challenge of attracting, developing, engaging and inspiring these millennials. She spoke to us about how Virtusa has adapted to this new generation of workers and what other companies could learn from its experience...

How are millennials different to other groups, especially Generation X?

Millennials' use of technology sets them apart. One of their defining characteristics is their affinity to the digital world. They've grown up with broadband, smartphones, laptops and social media being the norm and expect instant access to information.

Millennials are also different because they've been told by their parents that they can do anything. They're often called the "Everybody Gets a Trophy" generation because their parents insisted that their childhood experiences be positive and that no one felt left out. The goal wasn't about being first at school or in games, but about putting in their best effort.

Their helicopter parents also brought them up to believe that everyone has a valid opinion and deserves to be taken seriously or at least heard. This is why they have a different concept of authority and entitlement compared to Generation Xers. Millennials are uncomfortable with authority and want to know that they have

Millennials' use of technology sets them apart. One of their defining characteristics is their affinity to the digital world. They've grown up with broadband, smartphones, laptops and social media being the norm and expect instant access to information.

access to an open door to ask questions, as well as give their opinions, while Generation Xers tend to view the boss as an expert, someone whose hard-earned experience and skill demand consideration and deference. They believe that access to authority is limited and must be earned. Hence, they are more likely to complete an assigned task without asking too many questions, while a millennial would want to understand why the task needs to be completed in that manner etc., not with the intention of being disrespectful but in order to understand the requirement better.

Millennials are driven by unique factors. They want to know that what they're doing is valuable to the company, as well as to them and their career. With a strong sense of community, they place a premium on corporate values and ethical practices. They seek open-minded companies and bosses who are comfortable with flexible schedules that allow work to seamlessly blend with the rest of their lives. They choose workplace flexibility over pay and are strongly influenced by organizations that foster innovation. Millennials believe that work is what they do and not just a place they go to.

Millennials are also driven less by money and more by accomplishment. They want to express their creativity and be able to complete tasks on their own using their own methods. They'll be quick to go online and search the Internet. As born networkers, they're comfortable asking their own network of friends and associates for information and stimulation. They seek knowledge, feedback and recognition constantly.

In contrast, Generation Xers are a very individualistic and independent generation. They value freedom and autonomy to achieve desired goals and often prefer to work alone rather than in teams. They tend to value salary and status much more than Millennials. They prefer a more structured approach to work and information and tend to influence through position, whereas Millennials tend to influence through networks, communities and collaboration platforms, like social media.

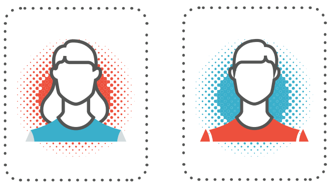
Millennials is a term coined in the US. Are millennials in Sri Lanka similar to those in the US?

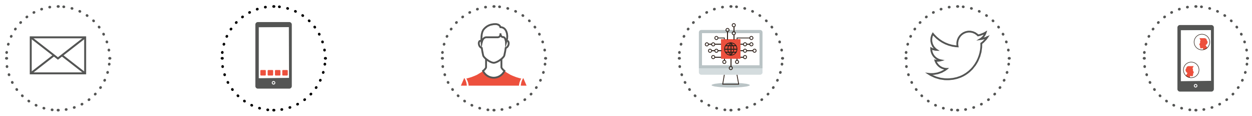
Millennials all over the world have grown up in a "wired" global village. They're connected without boundaries across the Internet and social media. So in most ways they're very much alike. Studies conducted by organizations like Accenture and Universum over the last decade or so reveal that Millennials, as much as they are similar to each other, also have differences from country to country.

For example, a Universum study has found that Millennials in the US cite job security as an important career goal more than those in most other countries, while in India and China, the respondents consider being "competitively or intellectually challenged" a key goal. A PwC study also found that millennials in Asia Pacific are still "very susceptible to job and career dissatisfaction". In Sri Lanka, in many ways, millennials have very similar traits. But I do believe that cultural and socio-economic conditions can influence them, creating distinctive traits.

Facts about millennials

BASED ON RESEARCH
CONDUCTED IN THE US





80% of millennials sleep with their phones next to their beds

Millennials send about **20 texts** per day

27% of millennials are self-employed

56% of millennials think technology helps people use their time more efficiently

14% of millennials use Twitter

41% of millennials have no landline at home and rely on their cellphones for communication

So we can't have a one-size-fits-all strategy in our organizations. How we approach and work with millennials across different locations around the world may vary. Understanding common traits and catering to those can create an environment conducive to them. For example, Virtusa has recognized that universally millennials are drawn to social media, want transparent communication and have a thirst for knowledge and innovation, and have simulated that experience in the workplace to engage them at work.

Why is it important for a company like Virtusa to attract millennials?

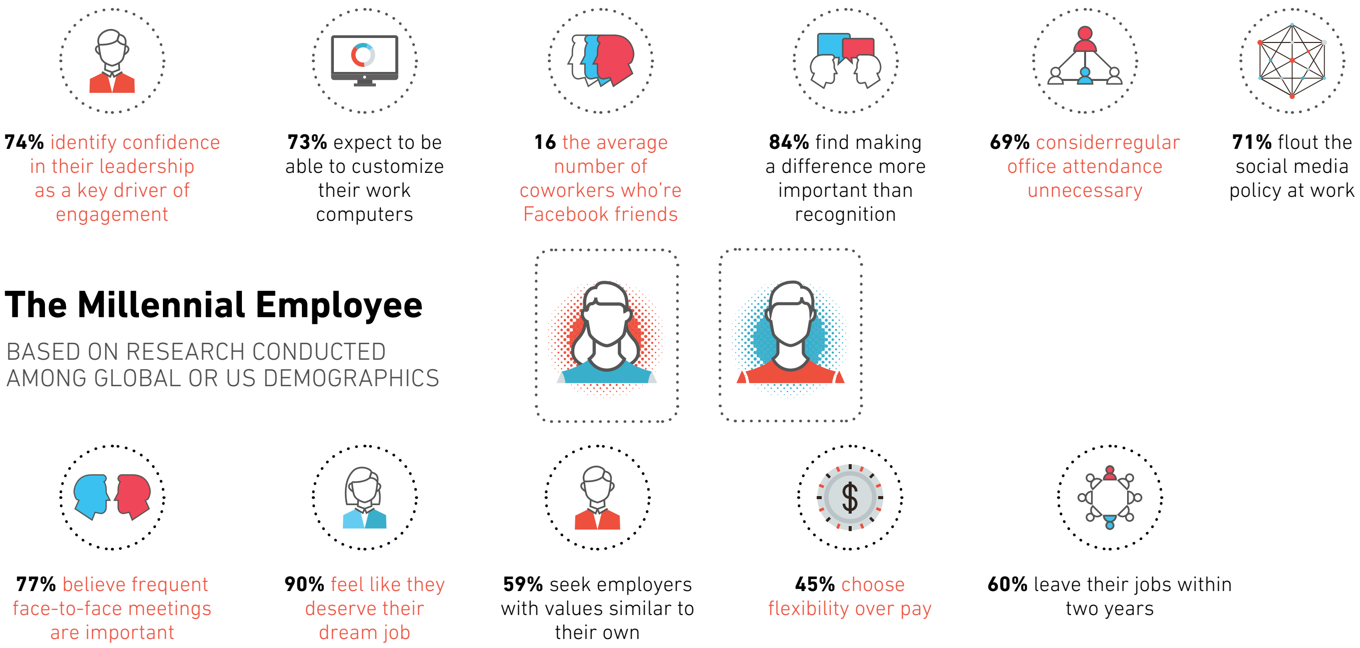
Bazaar Voice predicts that, as the age group with the largest population on the planet, millennials are set to emerge as the generation with the most spending power by 2018. These numbers make them a vital target for businesses, both as prospective customers for products and services and as talent to be absorbed into the labour pool. Taking over the workplace, 87% of them have moved into management roles in the past five years according to Business News Daily. Forbes notes that three out of four workers are set to be Millennials by 2025. This phenomenon is highly visible in the ICT and ICT-enabled services sectors where they've outpaced older generations, even at C-suite levels.

Being a global IT solutions company and the largest of such in Sri Lanka, we have experienced these changing patterns firsthand. With 76% of Virtusans around the world and 82% of them in Asia being Millennials, we have had to adapt ourselves rapidly to offer a work environment that is best suited to their persona. They've been the driving force behind the company's innovation and technology leadership. Since we've identified the true potential of this group, we make every effort to keep them charged up about the work we do. And this has helped us continue to retain our edge over the years.

As the age group with the largest population on the planet, millennials are set to emerge as the generation with the most spending power by 2018.

What are some challenges you face working with millennials?

The biggest challenge is to identify what makes the millennials tick, what they value, what attracts them and what retains them. We've faced various challenges due to what sets them apart. They seek instant feedback and gratification so it's necessary to give them constant and open feedback. It's also important to give them



There's also the challenge of millinnials seeking a flexible work environment. This generation wants flexibility to balance work, home and their own interests.

The challenge is to manage this need while adhering to customer demands and complying with the company's procedures.

immediate recognition openly. They also need free access to technology. We need to manage their quest for information and communication with our information security policies laid out by clients, as well as auditors. Millennials also have big ambitions. They seek rapid career growth and opportunity to scale up in the organization fast. While creating opportunities for them through enabling processes, the challenge is to also ensure they're suitable for the roles.

Another challenge is generational conflicts. Millennials are in most cases managed or led by Gen Xers. Since modus operandi may differ between the two generations, we come across challenging and conflicting situations. We've found it necessary to coach and mentor our managers and leaders to be receptive to newer ways of working.

There's also the challenge of millennials seeking a flexible work environment. This generation wants flexibility to balance work, home and their own interests. The challenge is to manage this need while adhering to customer demands and complying with the company's procedures.

What are some processes you've put in place targeting Millennials?

With word-of-mouth driving their product purchases, they stay updated on brands largely through social networks. According to a study by leading research firm Ipsos, this number is as high as 63% in the US. Millennials are more likely to trust their peer group's opinion about a product or a company rather than traditional 'expert advice'. So jobs that come with the recommendation of friends from their university instantly appeal to them. At Virtusa, we've tried to effectively leverage this trait through our employee referral programme.

These digital natives also seek recognition and leadership akin to what they've experienced in the gaming world. This is why our goal has been to create the Sunday night computing experience for Monday mornings at work. Our proprietary social business platform V+ provides social collaboration, document management, video services, enterprise services, innovation management, social performance management and gamification to teams spread across different functions and geographies throughout the organization. V+ adoption grew from 0 to 7,450 plus users in less than three years with close to 100% of the company on social media today. Through V+ and related platforms, we've managed to achieve gamification around core business outcomes. The personal dashboards, leaderboards and contests on quality, productivity, client delight, innovation, knowledge management, etc have revved up delivery excellence.

This go-getter generation is literally hunting for opportunities to move ahead in their chosen careers. Ambitious and impatient, about 40% of Millennials believe that they must be promoted every two years, with their average tenures being two years, according to a study by PayScale, Inc. and Millennial Branding. So, they prefer career paths that offer opportunities for rapid advancement. Going beyond the current job role, they look out for companies that offer a clear career path and help them develop their skills for the future. In their bosses, they look for a mentor and coach who'll help them chart their career paths with straightforward feedback and formal development programmes. At Virtusa, we're completely transparent about the tiers within the organization. Clearly defining our expectations, we show young Virtusans the opportunities that await them within the company. Our role-based training programmes help them grow by pushing them beyond their current knowledge or skill levels.

Millennials are always hungry to learn more so they're keen to pick up industry or functional knowledge, technical skills in their areas of expertise at the workplace while also grabbing any nuggets of wisdom on self-management and personal productivity, leadership, creativity and innovation strategies as well. While they welcome mentors who share their accumulated knowledge and offer constant feedback, they don't have time for conventional training processes. They want their training to be just in time, just enough, just where needed. For example, provide the right amount of information on a specific subject at the right time. This is why we've provided access to a wealth of information in the form of case studies and white papers to all Virtusans. They can access this information right from their desks by simply searching on Vingo, our search engine. Yammer collaboration software and business applications allow them to reach out to Virtusans across the enterprise for any assistance.

We've embraced the digital era and social network revolution to co-create a truly Millennial user experience at Virtusa. Recognizing achievements through contests and leader boards on every aspect of work from life values to coaching to referrals have charged up people excellence and helped us unpack higher levels of performance. This has translated into a passionate workforce that charges ahead as a team to deliver excellence time and again.

Millennials are always hungry to learn more, so they're keen to pick up industry or functional knowledge, and technical skills in their areas of expertise at the workplace

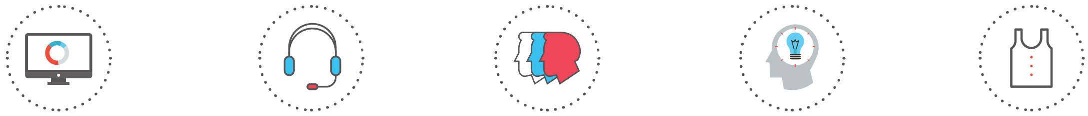
What challenges and positives do you see in the future for Virtusa, in the context of millennials?

I see a lot of positives for the future of Virtusa. For instance, Millennials thrive on learning, and this is a key factor in driving innovation at Virtusa. They also don't hesitate to connect and collaborate. We have and will continue to leverage on this so that there's constant interaction between our employees across the world, as well as with our customers. Millennials are also drawn to games and are driven by game-prone behaviour. At Virtusa we have leveraged the concept of gamification to set out a healthy level of competition, which drives business outcomes, individual performance and an enhanced level of productivity.

On the other hand, we do face a few challenges in terms of Millennials demanding accelerated career progression and change. So we need to enable our systems and processes to facilitate this while also ensuring their readiness to hold higher positions. We also try to provide

Top Five Things That Make Millennials Unique

(ACCORDING TO MILLENNIALS)



them with diverse opportunities in the form of international assignments, cross-skilling, job and role enhancements and cross exposures.

Millennials constantly seek mentoring and coaching. The challenge is that now, and even more so in the future, they'll also be reporting to millennial supervisors and managers. These people leaders may not be geared in terms of experience to coach and mentor their reportees. So, it has become necessary to proactively groom them for the future. There's also the challenge of millennials always being on the quest for new experiences. This generation, particularly the ones in the IT industry, constantly seeks knowledge to upskill themselves. They're impatient when it comes to this. So, retaining them in the longer term poses challenges. While we create as many opportunities as possible for them internally, it is also important to be ready to welcome them back if they do decide to leave. After all, they'll bring in a rich source of experience if they do return.

Another key learning is the need for accelerated career progression. Millennials don't think of career advancement in terms of seniority and time of service. **They value results over tenure and are sometimes frustrated with the amount of time it takes to work up the career ladder.**

What can other companies learn from Virtusa's efforts targeting Millennials?

I believe Virtusa is in the fore-front in terms of creating a great place to work for Millennials. It's important to create millennial-ready platforms. Our Vplus platform re-engineers the way employees think, learn and connect not only with each other but also with our customers. We also provide Instant feedback, recognition and gamified outcomes. Because of millennials' yearning for instant gratification, we've implemented a 360 degree feedback mechanism that enables instantaneous recognition of an employee's achievements, knowledge, team work and simple appreciations named Recognize and Value Everyone, or RAVE. In order to simulate a gaming environment at work, employees can earn badges based on the various categories of RAVEs received, thus creating a system of gamified connecting, learning, sharing and working.

Leader boards are another way Virtusa has gamified the work environment with the intention of driving positive behaviours to achieve core business outcomes. Leader boards drive healthy competition, give real-time feedback, create room for engagement and encourage learning. Millennials want to experience as much training as possible and organisations risk losing future talent if they fail to engage millennials with development opportunities.

Another key learning is the need for accelerated career progression. Millennials don't think of career advancement in terms of seniority and time of service. They value results over tenure and are sometimes frustrated with the amount of time it takes to work up the career ladder. So we have fast-tracked career progression, particularly for our pool of high performers. It's also important to provide leadership without boundaries and open platforms for transparent communication. Employees can reach out to any leader at Virtusa through our Yammer social media tool. This way, employees get exposure to senior leaders and they in turn, can understand the ideas and concerns at the grass roots level, as well as interact with employees from all levels of the organization.

LEAPSET CO-FOUNDER SHANIL FERNANDO HEADS ENGINEERING AND THE FIRM'S SRI LANKAN OPERATIONS

A firm with Sri Lankan roots, Leapset, is reimagining the restaurant business by integrating its various parts

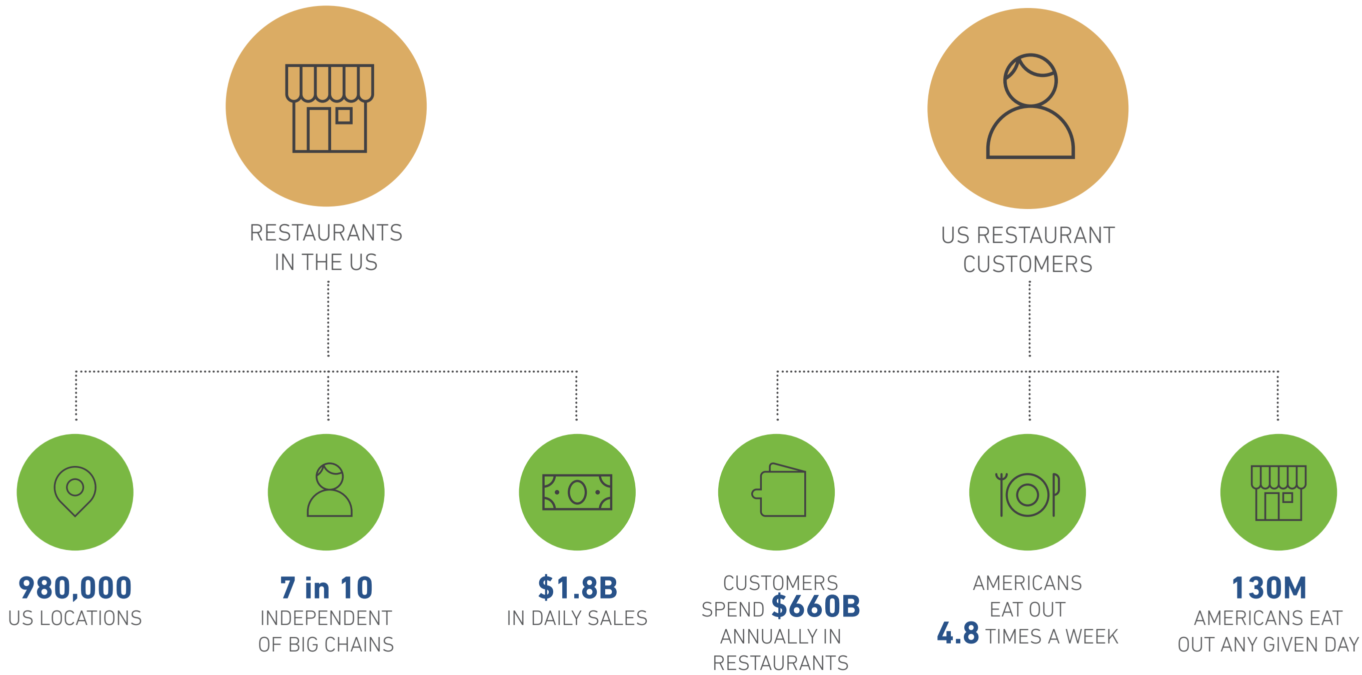
Leapset has reimagined how restaurants engage customers by **building the fastest growing network** across the whole ecosystem. Its challenge now is to roll out the product suite

BY **SHAMINDRA KULAMANNAGE**

Few firms have as effective a display of their disruptive impact as does a flat-screen at the entrance to Leapset's Sri Lankan engineering centre. On the screen in real time a rolling monthly total of restaurant orders processed though its systems in the US states of California and Florida - its first two markets - are displayed. In earlyMay total restaurant revenue processed through Leapset's system in the 30 days preceding topped $54.5 million made up of 7.8 million menu items in 2.7 million orders.

Dining Out

IN THE US PEOPLE FREQUENTLY DINE OUT AND SYSCO CORP (WHICH OWNS LEAPSET) SUPPLIES MOST RESTAURANTS WITH FOOD INGREDIENTS



The US based firm - for which all major engineering work is done at its Sri Lankan unit -is building a giant network aiming to serve a big chunk of the over 980,000 restaurants, bars and cafes in the United States. The core component of Leapset's strategy is its Point of Sale (POS) unit - when installed in a restaurant -which enables the firm to absorb the restaurant in to its network.

Leapset's revenue model is three-pronged. The hardware, the Point of Sale (POS) system, is supplied on a contract costing the restaurant a few dollars daily. This is the first and major revenue source. Leapset's negotiating power with banks has allowed the firm to share the benefits of lower commissions on credit card payment processing with the restaurateur, which is the second source of revenue. Thirdly it receives a share of any new revenue it brings to the business.

Leapset links the over 5000 US restaurants they connect to their customers, suppliers, staff and payments though the cloud by the POS terminals they supply.

At its most basic, a POS is a cash register.

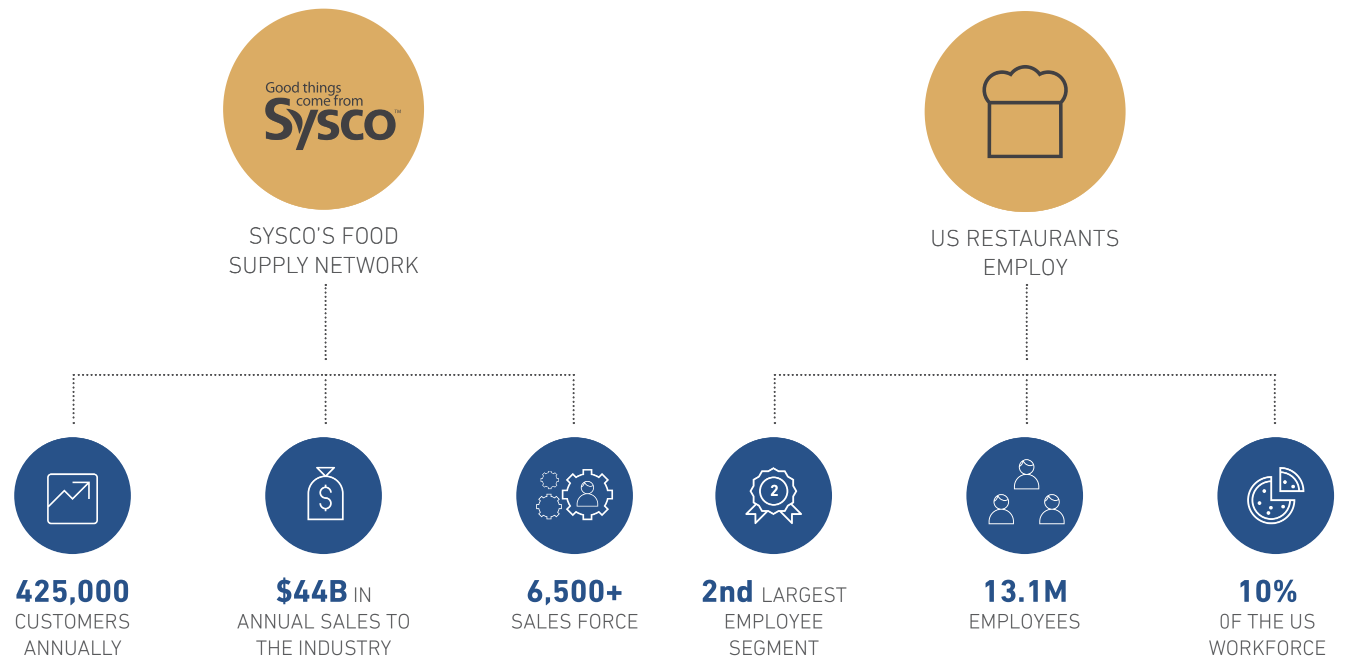
"We are in the process of building and buying this entire experience,"

Shanil Fernando

Leapset changed the model by including software that made it possible for the POS to process credit card payments and keep track of the businesses' financial performance by linking the device to the internet - connecting with customers and other restaurant partners like suppliers. Leapset is introducing mobile apps to link with customers upstream at different stages. In the US, where Leapset's system is being rapidly rolled out, smart phones are ubiquitous and people use them to discover restaurants to make reservations.

The firm is accelerating building the ecosystem. The point of sales terminal is the biggest revenue stream and everything else is important because it brings traffic to the POS, according to the firm.

Leapset isn't the only firm trying to capture a share of the US restaurant business; dozens of other successful firms play in various stages of the process. One of the most visible is the discovery stage where apps like Yelp and Foursquare play. The reservation stage is dominated by Opentable Inc, in the US. There are also firms focused on online ordering through



a device, and the POS terminal has competition from firms like Micros (now a unit of Oracle Corporation). Firms including Paypal dominate payments and the last category is retaining customers.

"The market is highly fragmented," explains Shanil Fernando who heads the firm's engineering. "We are the only company building technology to do all this.Leapset acquired New York based BuzzTable, now renamed List and is the firm's restaurant discovery and reservation product, competing against others including Yelp and Foursquare in helping people discover restaurants based on other peoples reviews.

Leapset Order, a new application, tackles online ordering. "We are in the process of building and buying this entire experience," Shanil Fernando claims. He estimates Leapset spent roughly $15 million in acquisitions in the last couple of years. "Why can't Yelp do this?", he asks rhetorically. "People want to do one thing well and sell that across a huge network. They don't have the network that we have."

Its new reservation product is going viral

"The only reason we can do this and be successful is because we have a partner network that we can employ,"

Shanil Fernando

after launch despite competition form established players. "We sat 1.5 million people at restaurants in April (2015)," says Shanil Fernando.

Leapset has created phenomenal value over the last couple of years. Two years ago Sysco, a $22 billion firm that is the largest food distributor to restaurants in the US, invested in a 25% stake in the firm, valuing it at $22 million. Months later Sysco bought out the shareholders, valuing the then two year old firm at $42 million. "You can't create that kind of value in a services organization no matter how big the services organization is," contended Leapset co-founder and Chief Executive Mani Kulasooriya at the time.

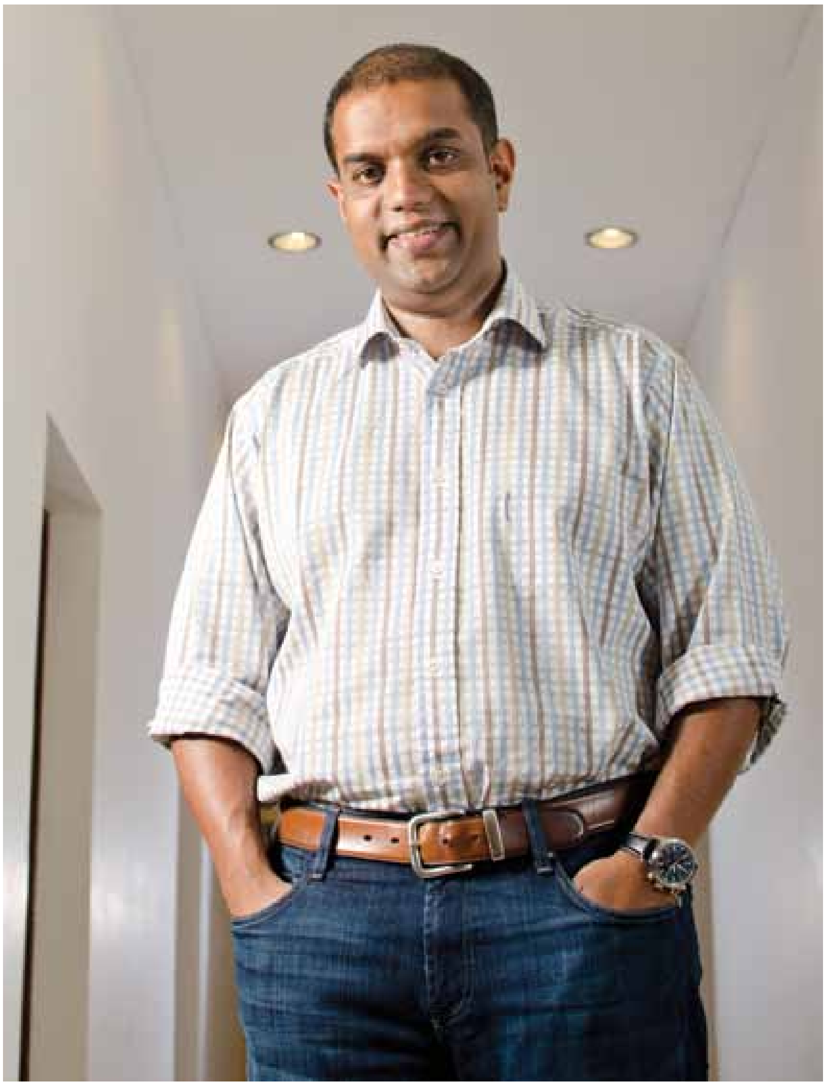
In comparison Virtusa, a NASDAQ listed software services firm is valued at around $1.2 billion, while MillenniumIT,a developer of capital market trading software was acquired by the London Stock Exchange Group for $30 million. One of Sri Lanka's largest listed firms JKH's market cap is $1.5 billion after more than a century in operation. Virtusa and MillenniumIT are firms that have operated for around 20 years. Sysco Corp, on the other hand serves 425,000 outlets across the US every week and its sales teams are well known by restaurant owners they serve. They are now introducing Leapset to potential customers across California and Florida, the two US states the firm has chosen to launch their services. Sysco's Series A funding, or the first venture capital funding for the firm, has altered Leapset in two ways. Firstly signing on new customers is now a breeze with the Sysco backing. Secondly Leapset has narrowed its focus to just service restaurants from its earlier wider emphasis on small merchants in different business verticals.

Venture capital interest was high one year after launching Leapset, when it sought its first round of financing. Founders and other angel investors who contributed the first equity of $4.5 million were in less than two years seeing a near five times return on their investment.

Disruptive companies grow in significant value year on year.Kulasooriya and Leapset's founding team including Shanil Fernando and three others have singlemindedly focused on creating a disruptive firm that's valuation hit $22 million in little after a year in operation. Sysco's being a shareholder has completely transformed Leapset by the level of access and credibility it now has with potential new restaurant signups.

Leapset founder Shanil Fernando says before Sysco, their sales staff had a tough time convincing independent restaurant operators that the Leapset system can save them money, increase revenue and improve restaurant management. "These restaurants have people trying to sell them crap all-the-time," he says. In fact a Leapset promoter was once physically assaulted by a riled restaurant owner annoyed about the intrusion than about the product. "That was a hard journey and a painful way to build scale," recollects Fernando who was a founding member of Virtusa, and at the time of his leaving was managing a 4000-strong team and heading a key product division.

"The only reason we can do this and be successful is because we have a partner network that we can employ," says Fernando of the impact of Sysco's buyout of the company. "Subsequently they gave a 20% stake to the founders. They have also offered options to employees, that vest over time," he says.



FOR MANI KULASOORIYA, A SRI LANKAN WHO HAS BEEN LIVING OVERSEAS FOR TWO DECADES, LEAPSET WAS HIS THIRD STARTUP. THE FIRST FIRM HE SOLD, AND THE SECOND – LATITUDE – WAS ABANDONED TO PURSUE LEAPSET

Mould breaking innovation is different from the incremental kind that's more common at firms looking to improve products and processes. Japan has shown how incremental improvement can produce world beating technical achievements over time. The innovation culture in the US and particularly in the Silicon Valley in California, where Leapset is headquartered, is however completely different. In the US the emphasis is on disruptive innovation: sweeping new things that transform markets and society.

Disruptive innovation is successful when it creates an ecosystem in its path that brings together the innovators, other firms and users across many domains. A successful ecosystem would add value to all its users and allows the innovator to learn from its followers. Leapset is fulfilling a need, at the intersection of a number of related domains.

Online POS systems, the type offered by Leapset is not a unique offering. Across the US and elsewhere dozens of firms offer such solutions. They range from Square, which converts an iPhone or iPad in to a credit card processing device to numerous high end online POS solution providers. However Leapset's focus on independent restaurants and having Sysco as a partner makes it a clear leader in that space.

"Scaling the operation is the biggest challenge," confides Shanil Fernando, Leapset's Vice President of Global Delivery. Currently a customer ordering the product has to wait 45 days due to the supply constraint. Before a customer POS system is put online Leapset staff have to create their menus on the system, refine it to operate seamlessly on various mobile devices and train the customer's staff. However they realize that to roll the product across the US without losing momentum,Leapset has to cut lead times.

Leapset is filling the void in restaurant technology which has fallen behind the smart device era. An internet connected Leapset POS system connects directly with the restaurants' customers through their mobile devices. Customers with the Leapset app are able to order online and be part of rewards programmes from each restaurant. Restaurant owners know which customers are in their premises, their names and details like what they ate last time or how they like their coffee. They are also able to push special offers to customers in the restaurant or its vicinity though the Leapset app. The app also integrates seamlessly with social media, so restaurants are able to benefit from their customer's social media networks.

Restaurant owners are also able to track employees and inventory and are able to remotely access the system. Leapset customises individual restaurant menus and promotional material for each client and promotes their partner's outlets online. Since the system is provided on a contract,there aren't upfront costs for restaurants joining Leapset; only a rental fee. Mani Kulasooriya, a Sri Lankan who has been living overseas for two decades, and Shanil Fernando are rare because they chose to make a quantum leap with Leapset in contrast to the incremental growth model of most firms. Leapset's quantum leaps didn't come from taking a POS system and trying to tweak its performance. Nor did they bother to listen to restaurateurs who may have pointed to the need for a cash register to have a bigger key pad for greater productivity. Instead they re-imagined the POS system from scratch, raking a queue from customers who were adopting and spending more time with their mobile devices. Sheer bloody-mindedness is an audacious trait that few have the guts to let thrive within them.

Mani, Shanil and other founders demonstrated their intrepid approach when in the pursuit of the opportunity Leapset offered, they shut down a successful and profitable IT services firm Latitude 365 which they had co-founded together earlier. Latitude 365 also called Monvia in the US had good enough margins to incubate a number of new products. Latitude's revenues were topping $5 million a year when it also became apparent that the online POS idea, that was later incorporated as Leapset, could be a runaway success. "We made a decision in hindsight," Kulasooriya was quoted saying about the their first choice to split the team and continue operating Latitude, which was cash flow positive and Leapset as separate ventures. None of them wanted to walk away from a business that had $5 million or more in revenue to only focus on an idea that currently had no revenue. "We did that for eight months and then made a decision to shut down Monvia (Latitude)".

"We burned the bridge so that there was no return. And that's where the company really changed into something," Kulasooriya explains using an analogy he often cites. One of the original partners quit primarily because he was uncomfortable with that decision. "You have to be comfortable with risk. If you aren't, what are you going to do every single time you are faced with a task that is insurmountable?" he asks referring to challenges faced by disruptive start ups. Monvia and Leapset operating models are polar opposites. "The leadership structure is different and the motivation and everything else is also different," explains Kulasooriya of Leapset's contrast to Monvia.He reckons a bean counter mentality which was encouraging them to cling to Monvia would have wrecked the breakthrough attitude that was required at Leapset. Now cash-rich Leapset is hiring the best engineers for its engineering unit in Sri Lanka which works closely with their peers in the US to build robust software that integrates

"You have to be comfortable with risk. If you aren't, what are you going to do every single time you are faced with a task that is insurmountable?"

Mani Kulasooriya

LEAPSET'S TEAMS HAVE CHOSEN THEMES FOR THEIR WORKSPACES AROUND PEOPLE WHO THEY ADMIRE.

seamlessly with the hardware. Leapset's offices now also have the trappings usually associated with organisations fostering innovation and collaboration like hang out areas and fussball.

Kulasooriya more than a decade ago had abandoned a job at Citi Bank to howls of protest from his family in Sri Lanka for his first start up, a firm that did funds transfers at a much lower cost than did Western Union, using the interconnected ATM and banking infrastructure. However regulators soon intervened telling Kulasooriya that he needed a banking licence to continue the funds transfer business.

Since he didn't have a banking licence,Kulasooriya sold the business for what he refers to as a ‘decent exit', defined as one that returns enough to buy a house in 2002. He then joined Yahoo! Finance to head business development and was introduced to Shanil Fernando years later when on holiday here he sought out an IT professional for a chat. Leapset founders however have had more than a decent exit in the first round when Sysco purchased the firm for $42 million. Now that its ideas have found traction it's a case of waiting for serendipity if peers that have built similar scale are an example to go by.

One of them,OpenTable, a NASDAQ listed firm, though which tables can be reserved at 20,000 restaurants across the US, is valued at over $2.3 billion a market cap that pips that of even the biggest listed company in Sri Lanka.

At 5,000 locations,Leapset only covers 1% of Sysco serviced clients. So it positions the firm well to grow rapidly. Last quarter Leapset added 85 new restaurants: “it was a good quarter,” concedes Fernando. Sysco's home state of Texas is the firm's next launch target.

The firm is excited about a new version of its main product called POS1, which is expected to accelerate deployment. Unlike the current POS, which requires a team to setup,POS1 can be installed by the restaurateur herself. “We are launching across the country with this new product version as anyone can order a POS on the website and it will be shipped and its self-service form there onwards,” says Fernando.

“Scaling the operation is the biggest challenge,”

Shanil Fernando

Interview

WOMEN ACCOUNTANTS: PROVIDING THE RIGHT BALANCE

Nilanthi Sivapragasam believes that women bring a unique skill set to the corporate world. Women are now more ambitious and companies are more diverse, but she thinks there's still a long way to go for true equality.

AS THE CHIEF FINANCIAL OFFICER OF CONGLOMERATE AITKEN SPENCE, NILANTHI SIVAPRAGASAM IS INVOLVED IN RAISING FINANCE, STRUCTURING THE GROUP'S INVESTMENTS AND FACILITATING NEGOTIATIONS.

BY **ISANKYA KODITHUWAKKU**

Nilanthi Sivapragasam is the Chief Financial Officer of conglomerate Aitken Spence, which has 75 companies in six countries. On top of overseeing the central corporate finance division, which handles the central treasury, tax, reporting and general management information for the group, she is also on the Board of Management, as well as in the boards of several subsidiaries. Sivapragasam is involved in raising finance and structuring the group's investments, and is directly involved in negotiations. Aitken Spence's significant investments in the past few years include $6 million in a port of Fiji joint venture and $100 million in an Ahungalla five star resort it is building in partnership with RIU Hotels of Spain.

Despite its large investments, Aitken Spence hasn't raised new equity from shareholders for some time. Some of its investments have long gestation periods, which makes servicing debt challenging because there is no associated cash flow.

Sivapragasam is also involved with the Chamber of Commerce and is on the Council of the Sri Lanka Institute of Directors. She is also on committees at the Chartered Accountants Institute. She is an accountant and has served on several accounting standards committees, including the Financial Reporting Faculty currently. She is also on the Board of the Women and Media Collective, a nonprofit that promotes female empowerment. Sivapragasam talked to Abacus about the challenges she faces heading finance for a diversified group and about the progress women have made in Sri Lanka's corporate world, as well as the strides they still need to make...

Despite its large investments, Aitken Spence hasn't raised new equity from shareholders for some time. Some of its investments have long gestation periods, which makes servicing debt challenging because there is no associated cash flow.

What challenges do you face as the CFO of a diversified group?

Balancing other people's requirements and one's own responsibilities is challenging. I work with many different sectors and managing directors and, as a result, there's a constant stream of requests from multiple sources. Balancing that while prioritizing each one's work is important. For instance, when new projects come up, feasibility studies need to be conducted and meetings and discussions held. Prioritizing what's most important and what needs to be done first is one of the challenges in a group like ours.

What's challenging about handling a finance role in the current economic environment?

The economic environment is changing rapidly, so we have to adapt. Recently, new laws were passed and budget proposals were made, so we have to be prepared. For example, a new finance bill has been proposed but not yet passed and, as a result, its eventual impact on companies is uncertain.

When bills and budget proposals are presented in parliament, the business/finance community - through the chambers - looks into them to ensure they won't be detrimental to any sector. I'm on the Taxation Committee of the Chamber of Commerce, which studies proposals to make sure they won't have adverse implications for business, because the government has a political perspective, looking at what's better for the people, and may not see a bill's counter-effect in terms of business being stifled etc. If we see anything, we lobby and make representations through the chambers and institutes.

How has the business environment changed over the years?

The business environment has become much more competitive today and, as a result, we have to always be one step ahead. Companies are constantly required to examine their internal processes to be more efficient and productive and to reduce costs. Technology has played a huge role in the transformation, and companies are being forced to embrace it in order to stay ahead. Sri Lanka is a small market and, as a result, many companies have been compelled to look outside our shores, as Aitken Spence has done in the past several years.

In the recent past, the private sector didn't have many opportunities to participate in large-scale infrastructure projects, other than in the hotel sector. We hope that with the new government this will change and that there'll be more opportunities for companies to partner the government in the growth of the country.

Are there any challenges around accounting standards on the horizon?

A forthcoming change regarding the revenue recognition standard will affect us significantly. We've been working a lot on that. Fortunately, the International Accounting Standard Board (IASB) has decided to postpone the adoption of it by one year, which provides us with time to prepare. At the moment, I chair the financial reporting faculty of the institute, and we conducted a two-day workshop a couple of months ago to educate companies on the far-reaching effects this change will make on how we account for revenue and report it in our financial statements. We were able to provide these companies some understanding of what this change will involve so they could prepare for it.

As accountants, we understand the change. But the main challenge is explaining it to our non-financial colleagues in marketing and operations and the managing directors that their revenue, which was so many billions last year, will come down to half of that merely because of the way we have to account for it. This posed quite a challenge even when we converged with IFRS. I must say, though, that I have a very good team. The finance people in all the sectors got together and set up a core team, and we handled it quite well.

Accounting, finance and taxes are different for each sector. How do you handle it all?

I have a very good team that takes care of that for the whole group. It doesn't make sense for each sector to handle their own tax, because it requires a macro point of view. That's something that we have learned to handle over the years.

Let's talk about leadership challenges women face.

As a woman, there are certain challenges working in the corporate sector, which has been traditionally dominated by males. The usual prejudices aren't as overt, but are still there subtly. It's difficult to change that, so you have to learn to work within it by being flexible and understanding where people are coming from. For example, a meeting could consist mostly of men, so sometimes a woman's voice can't even be heard because her voice is soft and others can be very loud. But you have to learn to go beyond that and make yourself heard. This could be difficult at the beginning but, as you go along, you learn to cope. You learn to get your voice heard.

Sometimes that can be seen as aggressive. When a woman is aggressive, it's viewed negatively, while an aggressive man is considered a real leader. Those are age-old prejudices. Having said that, I've seen that when you get to know the people you're working with, you can adapt to it. The scenario is changing and, with the current focus on women and diversity, people are accepting the role of women in business.

How has it changed over the years?

I've been with Aitken Spence for almost 30 years. I think people are much more conscious and politically correct today. Sometimes people still make sexist comments, and the only solution is to call them out. If you don't, you're just considered a doormat. At the same time, you shouldn't take things to an extreme. In some countries, people are extremely careful about what they say because a man could be taken to court or to human resources for sexual discrimination or harassment, because of a comment they made.

As a woman, there are certain challenges working in the corporate sector, which has been traditionally dominated by males.

The usual prejudices aren't as overt, but are still there subtly.

In Sri Lanka, people aren't as worried about that because we still don't have a system where people are immediately taken to task for sexual harassment. At Aitken Spence, we do have a system where complaints can be made if some sort of harassment occurs. Generally, in a leadership role, you don't face that kind of problem. But there's some bantering and comments about being female etc, which you have to be able to deal with and for which you need to have your own retorts. By and large, I can see that it has certainly changed for the better, but then again I have also risen in the company and may not be aware of what goes on at all levels.

There are other issues women have to face that I haven't had to because I don't have a family. When women are married with children, they have certain issues such as, for instance, when entertaining a client or travelling abroad at short notice. In Sri Lanka, most men can do that because they have a wife at home to take care of the family. But a woman has to find different ways to handle the situation. Moreover, if women are seen entertaining a client in the evening, society can have different interpretations. These are some challenges women face.

What are some positives women can bring to the table?
In negotiations, diversity can make a real difference. Right now, we're in negotiations on various projects, acquisitions and setting up of companies with joint venture partners. Sometimes when people have disagreements, a woman can bring a different point of view and calm the situation. Personally, I've found that it helps, because a woman might approach a problem in a different way to avoid matters getting confrontational.

Sometimes when people have disagreements, a woman can calm the situation. Personally, I've found that it helps.
A woman might approach a problem in a different way to avoid matters getting confrontational.

Women also bring a lot of soft skills to the board and management team level. Sometimes men tend to have a one-track mind; they don't look at different options, especially when dealing with people. I think a woman can bring a different perspective. I have also found that peers and subordinates of both genders are more open with a woman manager.

My personal opinion from what I've observed while serving on different committees and working with other directors is that women are much less egoistic. That's definitely an advantage. I don't know if that's changing with the younger generation. It also may be particular to Sri Lanka. The clashing of egos is a huge issue because sometimes you can't work purely because of two people's egos, and relationships with business partners can break down. I feel women may be better at handling such relationships. Hence, you need diversity. Both men and women have their own strengths and weaknesses.

Another positive is that women pay more attention to detail. When taking on a project or responsibilities, they will be concerned about the nitty-gritties, while a man may tend to gloss over things and look only at the surface. Sometimes this can also be a disadvantage, as a woman can get bogged down in the details and forget the big picture. That's why I feel you need to have that balance in any team.

What difference do you see between your peers when you first started working and those today?
Women are much more career-oriented now. The young women today are as ambitious and as focused as the men. Maybe 25 years ago, a female colleague would have found it difficult to travel with male colleagues because either their husband wouldn't allow it or she herself felt uncomfortable. But today's women usually don't face that problem. There are still some cases even among qualified professional women where their husbands don't want them going out and all that. But, by and large, our society has moved past that kind of thinking.

Can we talk about the current business landscape for women?
I think there are a lot of opportunities today. Women hold high positions in many companies, particularly in the IT sector, with quite a few women heading them, and in other areas as well. Women need to take up the challenge, because sometimes we hold ourselves back. I continuously encourage women to think differently. We can't always be saying, I need to get home, I need to drop my child in school. By having that kind of attitude, you're pulling yourself back, because immediately others think they can't give any responsibility to a woman because she'll be thinking about what's happening at home.

We need to be out there showing people that we can also take on the same roles. A lot of very bright women, once they get married and have children, deliberately don't want to get ahead in their jobs. They're comfortable in middle management jobs, provided they work 8-5 on weekdays and don't have to work on weekends purely because of the family. Nowadays, most younger women probably don't think like that. But there are still a few who do.

What about women in the accountancy field?

You get lots of qualified women in the field now; sometimes it's even a 50:50 male to female ratio. Women are usually better students, so they study harder and get through faster and qualify. But when they start working, they don't go up as fast as their male colleagues because the women get married and have kids. Their careers slow down. It's not that they don't want to work, but they want to do a different job. So, when it comes to the top management level, there are fewer women because there are younger guys who are more suited to take on the role. I think that's one of the particular problems women have which they need to deal with.

How has the accountant's role changed over the years?

With the new accounting standards and our convergence with IFRS, the accountant's role has taken on a different meaning. Previously, accountants just did their number crunching and people didn't care too much as long as they knew the cash that came in and went out. Now there are so many other regulatory requirements and stakeholder demands that companies have to cater to. As a result and because of the standardization of accounting all over the world with most countries adopting IFRS, you need to be specialized in IFRS for the company to be able to comply with what they require. That way, accountants have a bigger role now.

Of course, it takes a long time for people to value the accountant's role. It hasn't been easy, but I think I've been able to convince most of our managing directors and heads of sectors that, whenever they enter into agreements, the management team needs to include someone from finance because otherwise they could agree on certain things like business arrangements, but miss some important factors an accountant would see. For example, marketing and operational personnel will negotiate a deal, but a finance person needs to be there to advise them on what currency to contract in, little things like that. The finance person can tell the others exactly what a contract will result in. We've had to fight for this over the years. Those days, the accountant wouldn't even have been considered in that particular negotiation, but now managing directors are realizing the necessity. We have a lot of overseas companies, in India, Oman, the Maldives, Fiji and Mozambique and, in each jurisdiction, the tax structure is different. You can't do the same thing you're doing in Sri Lanka. Even if you make an investment in India, you need the finance people to look into all those angles - withholding tax, fringe benefits tax, etc. Our senior management understands that now and consults us so that finance is involved right from the beginning.

I also find that accountants are really the best equipped to look at different angles, because they know all the numbers, the revenue, and understand the business and many of the legal requirements.

But accountants are underutilized.

I also find that accountants are really the best-equipped to look at different angles, because they know all the numbers, the revenue and understand the business and many of the legal requirements. But accountants are underutilized. Traditionally, people thought accountants are boring people; that's the stereotype. Even in the group, there are so many accountants who have so much knowledge about the company, they know everything that's going on, but some prefer to just be observers rather than out there doing things.

When I was in school, I used to think an accountant was the most boring job ever, and I swore that I would never be one. Unfortunately, that didn't quite work out because then we didn't have as many career options as there are today; we were expected to join a profession. That's how I ended up doing accountancy. But now I enjoy my job; I don't find it boring at all. I firmly believe it's what you make of your job that's important.

Focus On - Technical

Changes to Accounting Standards

The Council of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has amended several Sri Lanka Accounting Standards (LKAS) and Sri Lanka Financial Reporting Standards (SLFRS) in an effort to bring more clarity to several areas, including the treatment of agricultural assets and the sale of assets between investor and associates. Narrow-focus improvements have been made to LKAS 1 on 'Disclosure Initiative' allowing professional judgment in determining what information to disclose and how. The accounting body also introduced annual improvements to the SLFRS 2016 cycle.

Bearer Plants: Amendment to LKAS 41 Agriculture

▶ The LKAS 41 provides guidance on accounting for agricultural activity. From initial recognition up to the point of harvest, it requires the measurement of biological assets at fair value less costs to sell.

LKAS 41 measures biological assets related to agricultural activity based on the principle that biological transformation is best reflected by fair value measurement. LKAS 41 uses a single treatment for both bearer biological assets and consumable biological assets. Bearer biological assets include grape vines, oil palms and dairy cows. Consumable biological assets include wheat, trees for wood pulp in a plantation forest and beef cattle.

The biological transformation associated with mature bearer biological assets occurs principally in the produce growing in/on the bearer biological asset. The operation of mature bearer biological assets is seen by many as similar to that of manufacturing and, consequently, they believe that such assets should be accounted for in accordance with the requirements in LKAS 16 Property, Plant and Equipment rather than LKAS 41. Bearer plants will now be within the scope of LKAS 16 Property, Plant and Equipment and will be subject to all requirements therein. This includes the ability to choose between the cost model and revaluation model for subsequent measurement.

Agricultural produce growing on bearer plants (such as fruits growing on a tree) will remain within the scope of LKAS 41 Agriculture. Government grants relating to bearer plants will now be accounted for in accordance with LKAS 20 Accounting for Government Grants and Disclosure of Government

Assistance, instead of in accordance with LKAS 41.

Bearer animals, like bearer plants, may be held solely for the produce that they bear. However, bearer animals have been explicitly excluded from the amendments and will continue to be accounted for under LKAS 41 on the basis that the measurement model would become more complex if applied to such assets.

Equity Method in Separate Financial Statements: Amendments to LKAS 27

BEARER BIOLOGICAL ASSETS INCLUDE GRAPE VINES, OIL PALMS AND DAIRY COWS. CONSUMABLE BIOLOGICAL ASSETS INCLUDE WHEAT, TREES FOR WOOD PULP IN A PLANTATION FOREST AND BEEF CATTLE.

▶ This amendment will restore the option to use the equity method of accounting in separate financial statements.

Prior to the revision of LKAS 27 Consolidated and Separate Financial Statements and LKAS 28 Investments in Associates, the equity method was one of the options available to an entity to account for investments in subsidiaries and associates in the entity's separate financial statements. In the international context the equity method was removed from the options in 2003.

LKAS 27 Separate Financial Statements allows an entity to account for investments in subsidiaries, joint ventures and associates either at cost or in accordance with SLFRS 9 Financial Instruments in the entity's separate financial statements.

Accounting for Acquisitions of Interests in Joint Operations:Amendments to SLFRS 11

▶ The objective was to add new guidance to IFRS 11 Joint Arrangements on accounting for the acquisition of an interest in a joint operation that constitutes a business. The International Accounting Standards Board (IASB) decided that acquirers of such interests shall apply all of the principles on business combinations accounting in SLFRS 3 Business Combinations, and other IFRSs, that do not conflict with the guidance in IFRS 11 and disclose the information that is required in those IFRSs in relation to business combinations.

Investment Entities - Applying the Consolidation Exception: Amendment to SLFRS 10

▶ This amended paragraphs 32, BC85C and B85E of SLFRS 10 to clarify which subsidiaries of an investment entity should be consolidated instead of being measured at fair value. The amendments were made in response to a request for the Board to clarify how to apply paragraph 32 when the subsidiary of an investment entity itself meets the definition of an investment entity and provides services that relate to the parent's investment activities.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

▶ This project has been initiated to address the acknowledged inconsistency between the requirements in SLFRS 10 Consolidated Financial Statements and LKAS 28 Investments in Associates and Joint Ventures (2011), in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. LKAS 28 (2011) restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. SLFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary.

Disclosure Initiative: Amendments to LKAS 1

▶ The changes to LKAS 1- Disclosure Initiative, that allows an entity to apply professional judgment in determining; what information to disclose and how to structure it in their financial statements. Under this the following narrow-focus improvements have been addressed:

- *Materiality*
- *Disaggregation and Subtotals*
- *Notes Structure*
- *Disclosure of accounting policy*
- *Presentation of items of OCI arising from equity accounted investments*

Annual Improvements to IFRSs - 2012-2014 Cycle

(Annual Improvements to SLFRSs 2016)

▶ The Annual Improvements project carried out by IASB contains amendments to IFRSs or Interpretations that are minor or narrow in scope that are packaged together and exposed in one document even though the amendments are unrelated. These amendments are limited to changes that either clarify the wording in an IFRS/ SLFRS or correct relatively minor unintended consequences, oversights or conflicts between existing requirements of IFRSs/ SLFRSs.

The issue included in this cycle is:

• SLFRS 5: Changes in methods of disposal
The amendment to SLFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

• SLFRS 7: Servicing Contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs SLFRS 7.B30 and SLFRS 7.42C in order to assess whether the disclosures are required.

•SLFRS 7: Applicability of the amendments to SLFRS 7 to condensed interim financial statements
The amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these SLFRS 7 disclosures are not required in the condensed interim financial report. If the SLFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity's condensed interim financial report.

• LKAS 19: regional market issue
Retirement Benefit Obligation must be discounted using market rates on high quality corporate bonds or using government bond rates if a deep market for high quality corporate bonds does not exist.The assessment of a deep market was based at a country level (e.g. Sri Lanka) or currency level (e.g. USD). The amendment to LKAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located.

• LKAS 34: Disclosure of information "elsewhere in the interim financial report"
LKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. However, it is unclear what the Board means by 'elsewhere in the interim financial report'.The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). Accordingly the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. ■

MIXING **BUSINESS** WITH **PRODUCTIVITY**

FROM MANAGING YOUR WALLET TO JOB HUNTING, THERE IS AN **'APP' FOR EVERYTHING**. WE'VE ASSEMBLED A COLLECTION OF **BUSINESS-RELATED APPS** THAT WILL HELP YOU GET TO THE TOP OF YOUR GAME.

Applications, better known as apps, are powerful tools. From fan favourites to ones that use cutting-edge technology, they have made it easier to manage our work, take detailed notes and stay in touch with colleagues. But do we use our app-loaded smart phones to even 50% of its capability? And how do apps add value to businesses? Entrepreneurs and small businesses are increasingly relying on savvy apps to help their businesses grow and run more smoothly. Mobile apps in particular can help business people get organized, connected and visible, and likely contribute to their success. We've listed five of the top apps that will serve the simple and complex needs of business people, changing the way they do business.

FLIPBOARD

Flipboard's tagline says it all - It is your personal magazine.
Flipboard is a magazine-format mobile app localized in more than 20 languages. The app allows users to select their desired content from social media and other websites, and collates them to present in magazine format. This allows users to digitally "flip through" their social-networking feeds and feeds from partnering websites. It's a one-stop shop for all news on areas of your interest.
Flipboard is accessible on Android, Blackberry OS, iOS and Windows platforms. Apple reviewed and named the Flipboard app Apple's iPad App of the Year in 2010. New software updates and more features such as support for Google Reader garnered more favourable reviews.

DROPBOX

A more popular web app is Dropbox. Now available on a mobile platform, Dropbox is a cloud storage company that allows users to create a special folder on their computers, which Dropbox then synchronizes so that it appears as the same folder (with the same contents) regardless of which computer is used to access it. Files placed in this folder are also accessible via the Dropbox website and mobile apps. Best of all, Dropbox offers 2GB of storage for free! You can earn up to 3GB of additional free space by automatically syncing photos and videos with Dropbox. The Dropbox app is compatible with Android, iOS, BlackBerry and the Kindle Fire.

CARDMUNCH

Exchanging visiting cards is an essential part of doing business. But how often are we caught unable to find someone's visiting card; and a paper card can hold limited information about a person, whereas their online profile can tell you much more. CardMunch allows users to make business contacts electronically. All it takes is one snapshot of a business card.

CardMunch, owned by business-oriented social networking service LinkedIn, turns your business cards into LinkedIn connections simply by analyzing a photo of a business card. CardMunch has seen well over 1.8 million business cards scanned so far.

The CardMunch app is, however, only available on iOS.

EVERNOTE

Evernote is a clever app that allows users to store notes, web pages, photos, to-do lists, ideas and audio notes as they go about their work, and even share them across devices. If you come across anything interesting, you can tag it on Evernote to pull up when you have some time to spare. Once you add things to this online notebook, they're completely searchable and can be accessed via your desktop, the Web or your mobile device.

Evernote works on Android, iOS and Windows.

The free version of Evernote caps users at 60MB per month of usage. A usage meter allows you to see how much data has been consumed for the month. Ddata usage can be pumped up by paying a monthly fee.

TRIPIT

Travel apps are perhaps the most common. Business travel can be exhausting, from scheduling flights and car reservations to managing hotel booking and meetings. If you travel a lot on business, TripIt is a must-have app. TripIt makes it easier to organize travel itineraries by keeping track of trip arrangements in one unified place. The app can recognize reservations from over 3,000 booking sites, and even share trip plans through e-mail, Facebook and among LinkedIn contacts. By just forwarding all your travel info to TripIt, the app will organize your trip and present you with a clean agenda. TripIt also gathers weather updates, maps and directions to make traveling easier.

TripIt is available on Android, Blackberry, iOS and Windows.

Update

CA Sri Lanka President Arjuna Herath takes over the reins of SAFA

Prominent Chartered Accountant, Mr. Arjuna Herath, the incumbent President of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), assumed office as the 31st President of the South Asian Federation of Accountants (SAFA), the apex accounting body of the South Asian Association for Regional Co-operation (SAARC).

Speaking soon after assuming office as the President of SAFA, Mr. Herath said that it was his honour to serve the member bodies of the South Asian region with the ultimate aim of unifying individual strengths to create synergy for the benefit of all member bodies, and to influence and voice the perspectives of the region at an international level on matters relating to the accounting profession and allied areas.

SAFA is an apex body of SAARC and a Regional Grouping of the International Federation of Accountants (IFAC). SAFA consists of the institutes of chartered accountants and the institutes of cost & management accountants in the SAARC countries who have associated together with the objective of developing the accountancy profession in the region.

Apart from his current positions as President of CA Sri Lanka and SAFA, Mr Herath also serves several high-profile international and regional committees. He is a Member of the Board of Directors of the Confederation of Asia Pacific Accountants (CAPA), and a Member of the Professional Accountancy Organisation Development Committee of the International Federation of Accountants (IFAC). He is also a Partner and Head of Advisory Services of Ernst & Young - Sri Lanka and Maldives, and Commissioner of the Securities and Exchange Commission (SEC) in Sri Lanka.

He also serves as a Member of the Board of Directors of the Sri Lanka Accounting and Auditing Standards Monitoring Board, Postgraduate Institute of Management in Sri Lanka, Board of Directors of the Association of Public Finance Accountants of Sri Lanka, Board of Management of the School of Accounting and Business in Sri Lanka, and the Accounting Standards Committee and Auditing Standards Committee in Sri Lanka.

CA Sri Lanka and SLASSCOM encourage audit firms to leverage from global outsourcing

CA Sri Lanka and the Sri Lanka Association of Software and Service Companies (SLASSCOM) will kick off a pilot project that will engage and encourage audit firms to leverage from global outsourcing.

A memorandum of understanding was signed between CA Sri Lanka and SLASSCOM by the President of CA Sri Lanka Arjuna Herath and the Vice Chairman of SLASSCOM Dr. Arul Sivagananathan. Financial and Accounting Outsourcing Pathways for Start-ups will pave the way for both organisations to work in collaboration. The programme focuses on recognizing and enabling audit firms and local providers of finance and accounting services that have high potential to leverage their current infrastructure, capabilities and networks to engage in global outsourcing.

The programme is expected to assist audit firms in growing and becoming more global in their outlook. It will also provide global recognition for the BPM/FAO/KPO brand and help create more employment opportunities in Sri Lanka with larger growth in the sector.

SLASSCOM acts as a catalyst of growth of the Sri Lankan IT and BPM industry by facilitating trade and business, propagation of education and employment, encouragement of research and innovation, and supporting the creation of a progressive national policy framework.

CA Sri Lanka is one of the country's largest tertiary education providers with a significant student base of over 44,000 who are aspiring chartered accountants. The initiative between CA Sri Lanka and SLASSCOM will be an important platform that benefits these students.

Sri Lanka's capability as a finance and accounting outsourcing (FAO) service provider is evident by the country being recognised as a global centre of excellence for FAO by the Global Services Magazine, who ranked Colombo fifth in the world in 2012. Being ranked 7th among the 15 emerging cities for FAO by Tholons and leading global companies setting up their FAO centres in Sri Lanka further reiterate Sri Lanka's prowess in the industry (SLASSCOM-PWC Sri Lankan IT/BPM industry review, 2014).

CA Sri Lanka awards cyber crime fighting accounting and finance professionals

CA Sri Lanka recently awarded the Diploma in Information Systems Security, Control and Audit (DISSCA) to accounting and finance professionals who have successfully completed the specialized course.

This diploma is a specialised course conducted annually with the aim of enhancing the IT skills of professionals amid increasing cyber crime threats that affect day-to-day business operations including hacking to obtain confidential company data. Diploma certificates were awarded to the 20th and 21st batches following the DISSCA programme. The programme is jointly conducted by CA Sri Lanka and the Institute of Chartered Accountants of India (ICA India)

CA Sri Lanka Council Member and Chairman of the IT Faculty, Mr. Channa Manoharan disclosed that over 150 professionals attached to leading corporates have successfully qualified from the DISSCA programme to date.

Chief Executive officer of CA Sri Lanka, Mr. Aruna Alwis emphasized the importance of professionals being duly educated in important areas such as information technology. "Cyber crimes are a very serious concern today and, as representatives of corporates, we need to take extra precautions to ensure that our organisations are safeguarded from cyber attacks," he said.

Mr. Alwis noted that, over the years, DISSCA has been educating managers and supervisors of audit firms, internal auditors, and accountants and financial controllers on the dangers their organisations may be facing, while also teaching them how to combat such dangers.

Update

CA Sri Lanka spreads its global wings with new UAE Chapter

CA Sri Lanka continued to expand its presence across the world map by establishing yet another overseas chapter in the United Arab Emirates (UAE).

The newly mooted CA Sri Lanka UAE Chapter represents more than 100 chartered accountants who are CA Sri Lanka members working in multiple sectors across the UAE. The inaugural ceremonial meeting of the UAE Chapter is scheduled to be held in March 2015.

Mr. Kirupananthan Ramiah has been appointed as President of the CA Sri Lanka UAE Chapter, while Mr. W. Y. D. Indika Ranganath will be the Vice President and Mr. M. N. P. Mohamed secretary.

The new chapter will help CA Sri Lanka members living in UAE to enhance their professional competencies through various Continuous Professional Development (CPD) programmes, and also be an important platform that will provide an opportunity for social and community interaction among members. It will also be an important central point that will allow members and the Sri Lankan community living in the UAE to work closely, while advocating and promoting the value members add to the business.

The CA Sri Lanka chapters hope to be an important platform to help position Sri Lanka in the world by facilitating trade and investments with the respective countries where the chapters are established.Amid the consistently increasing presence of its members across various continents, CA Sri Lanka has established several chapters over the years including in Qatar and Bahrain, which serves exclusively for the professional progression of CA Sri Lanka members living overseas.

Of the 4,600 members of CA Sri Lanka, over 30% serve in overseas positions across some 40 countries.

The CA Sri Lanka chapters hope to be an important platform to help position Sri Lanka in the world by facilitating trade and investments with the respective countries where the chapters are established.

Hayleys PLC powers CA Sri Lanka with sponsorship

One of Sri Lanka's largest multinational business conglomerates, Hayleys PLC will power CA Sri Lanka with a lead sponsorship. This is the first time Hayleys PLC has come onboard to extend their support to CA Sri Lanka to carry out its educational and professional activities for the benefit of its members, students and the public.

The sponsorship cheque was handed over to CA Sri Lanka President Mr. Arjuna Herath by Hayleys Chairman/Chief Executive Mr. Mohan Pandithage.

Welcoming Hayleys onboard for the year 2014/2015, Mr. Herath said it was a pleasure for CA Sri Lanka to have the support of a leading conglomerate such as Hayleys to complement its development activities. ""I am very pleased to welcome Hayleys onboard as a lead sponsor. I believe this partnership will tremendously benefit both organizations," he said. Mr. Herath also noted that having Hayleys onboard is an endorsement of the institute's mission to continue to serve society by promoting and developing the accounting sector.

Embracing innovation and entrepreneurship, Hayleys has added value for people and businesses across the country and beyond over the years. In addition to Sri Lanka, Hayleys has manufacturing facilities in Indonesia and Thailand, and marketing operations in Australia, India, Bangladesh, Italy, Japan, the Netherlands, the UK and the US. The group accounts for 3.17% of Sri Lanka's export income - 4.5% of tea and 2.2% of rubber production.

Visakha Vidyalaya wins CA Sri Lanka's inaugural Business Plan Competition

One of Colombo's leading schools, Visakha Vidyalaya won the inaugural Business Plan Competition organized by CA Sri Lanka for GCE Advanced Level students from the commerce stream 2015. The first runner-up was Royal College, while the second runner-up was Devi Balika Vidyalaya. The best presenter award was won by Ms. Hashini Silva of St Bridget's Convent.

The competition saw the participation of several leading schools in Colombo including Ananda College, D. S. Senanayake College, Devi Balika Vidyalaya, Musaeus College, Nalanda College, Royal College, St. Bridget's Convent and Visakha Vidyalaya. The Business Plan Competition was organized with the aim of encouraging students and helping them understand the importance of preparing a business plan, which is an important segment of the local GCE Advanced Level syllabus.

Vice President of CA Sri Lanka, Mr. Lasantha Wickremasinghe addressed the awards ceremony saying that the competition was an important initiative for students to apply into practice the knowledge gained at the classroom level, while also helping them showcase their presentation skills, an important pillar in becoming professionals. He also extended his appreciation to all participating schools. "The response for the inaugural Business Plan Competition for A/L students has been remarkable and very encouraging."

Ms. Coralie Pietersz, Chairperson of the Urban Schools & Non-Commerce Stream Students Promotions Committee, outlined the objectives of the competition as being based on four specific areas of analytical skills, planning, team work and fun. "The objective of the competition is based on what we believe and what we value. We value analytical skills, which gives you the ability to think and apply what you have learnt in school as this is what will hold you in good stead when you enter the workforce in the future," she told the students in her welcome speech.

Chief Executive Officer of CA Sri Lanka, Mr. Aruna Alwis said that CA Sri Lanka has always been in the forefront in helping develop the knowledge base of Sri Lanka's students. "With this objective in mind, we decided to organize the Business Plan Competition targeting A/L students from the commerce stream," he said.

Update

HNB sponsors CA Sri Lanka yet again

Hatton National Bank (HNB), a premier private sector commercial bank in the country, has once again extended their support for the seventh consecutive year to power CA Sri Lanka with a lead sponsorship.

The sponsorship supports various professional and educational activities carried out by CA Sri Lanka for the benefit of professionals, students and public.

The sponsorship cheque was handed over to Mr. Arjuna Herath, President of CA Sri Lanka, by Mr. Jonathan Alles, Managing Director/CEO of HNB at the event.

Speaking about the significance of the sponsorship, Mr. Alles said that HNB was renewing the lead sponsorship with CA Sri Lanka for the seventh consecutive year and, as a premier private sector commercial bank, HNB was pleased to have been associated with CA Sri Lanka over the past few years. "HNB has great respect for CA Sri Lanka for the service it renders as the foremost authority on accounting and auditing in Sri Lanka. I am sure that this sponsorship will enable CA Sri Lanka to serve and uplift the industry throughout 2014/2015," Mr. Alles added.

Welcoming HNB onboard, Mr. Herath noted that HNB and CA Sri Lanka had shared a longstanding relationship for many years, which has been mutually beneficial to both organisations. "HNB's continuing patronage as a lead sponsor is an endorsement of the Institute's mission to serve society by promoting and developing accounting and auditing expertise in the country. CA Sri Lanka is truly encouraged by the premier bank's continuing support for seven years straight," he added.

CA Sri Lanka and Ministry of Higher Education strengthen public sector financial management

CA Sri Lanka, together with the Ministry of Higher Education, carried out a workshop on public sector finance management for the benefit of all state sector higher educational institutions.In its capacity as the national accounting body and having understood the important role the public sector plays, CA Sri Lanka and the Ministry of Higher Education organized the workshop for finance and non-finance professionals who are attached to state-owned higher educational institutions. The workshop, which was conducted by Mr. V. Kanagasabapathy (President of the Association of Public Finance Accountants of Sri Lanka) and Mr. Hussain Moosajee (a consulting trainer), gave important insight to professionals employed in the state sector on the importance of financial management, with a special focus on government financial reporting aspects relevant to the university system.

President of CA Sri Lanka, Mr. Arjuna Herath said that the institute, in its capacity as the national accounting body formed under an Act of Parliament, is fully committed to serve and support the public sector in its efforts to build capacity and improve accounting, and auditing and financial management practices in the public sector. "To ensure that this important objective is realized, CA Sri Lanka, together with the Ministry of Finance and Planning, published 10 Sri Lankan Public Sector Accounting Standards to further uplift the accounting and financial reporting standards of the public sector," he said.

Chairman of the CA Sri Lanka Business School, Mr. Sujeewa Rajapakse said that the institute feels that it is their responsibility to propagate the importance of accounting and financial aspects relevant to all professionals in Sri Lanka to enhance their knowledge. "There is no doubt that both state and private universities play a significant role in grooming a skilled workforce for our nation. And as Sri Lanka strives to be better among the best, we all have an important role to play in helping our country reach this ambitious target," he said. Mr. Rajapakse also pointed out that such workshops will enhance the knowledge of professionals and help better themselves in their chosen fields, which will eventually reflect on the longer-term development of Sri Lanka.

Chief Executive Officer of CA Sri Lanka, Mr. Aruna Alwis noted that increased attention has been paid in recent years to develop and enhance the standing of public sector employees, among which CA Sri Lanka has also established a public sector wing to enhance the capacity and capabilities of public sector accountants, auditors and assessors.

Sri Lanka Insurance sponsors CA Sri Lanka

One of the country's leading Insurance providers, Sri Lanka Insurance has once again extended their support to CA Sri Lanka with a lead sponsorship for 2014/2015.

The sponsorship cheque was handed over to the President of CA Sri Lanka Mr. Arjuna Herath by Managing Director of Sri Lanka Insurance Mr. Piyadasa Kudabalage at a ceremony held recently.

Speaking at the event, Mr. Kudabalage said that Sri Lanka Insurance was happy to continue its association with the country's national accounting professional body, CA Sri Lanka. "As an organisation committed to transparent and accurate financial reporting on par with international standards, we continuously encourage the development of our staff to adopt policies and procedures to stay relevant to a fast-changing globalised market. I firmly believe that the tie up with CA Sri Lanka will assist us in achieving this task," he said.

Welcoming Sri Lanka Insurance onboard, Mr. Herath said that the continuing support by one of the country's leading insurance providers was an endorsement of its continuing efforts to serve the country and the corporate sector, and an encouragement for the institute to continue the many activities organized for the benefit of all stakeholders. "The sponsorship will assist CA Sri Lanka to carry out its numerous educational and professional activities for the benefit of its students, members and even professionals from non-accounting sectors throughout the year," he added.

HNB opens ATM at CA Sri Lanka

Hatton National Bank (HNB) recently opened an ATM at CA Sri Lanka. The ATM was opened to enhance the services offered for the benefit of CA Sri Lanka members, students and staff.The event took place in the presence of officials from both organisations, including HNB's Deputy General Manager Retail & SME Banking Thimal Perera, Manager Card Services Nalin Dissanayake, Manager Colpetty Branch Michelle De Silva and Reeza Jaleel from the HNB Card Centre, together with CA Sri Lanka President Arjuna Herath, Vice President Lasantha Wickremasinghe, Chief Executive Officer Aruna Alwis, Director Education and Examinations Harsha Gunasena, Chief Information Officer Gayan Wickramasinghe and Director Member Relations Senaka Abeykoon.

Update

CA Sri Lanka and CIPFA launch ground-breaking accounting qualification for public sector

In a pioneering effort aimed at strengthening public financial management in the country, CA Sri Lanka, together with its Public Sector Wing, the Association of Public Finance Accountants of Sri Lanka (APFASL) and the world's sole professional accountancy body in public finance, The Chartered Institute of Public Finance and Accountancy (CIPFA) launched the Chartered Public Finance Accountant (CPFA) qualification in Sri Lanka for accountancy and financial professionals in the public sector.

At a ceremony held on 11 February 2015, under the patronage of Mr. Ravi Karunanayake, Minister of Finance, and Dr. R. H. S. Samarathunga, Secretary to the Ministry of Finance & Treasury, CA Sri Lanka and CIPFA signed a Memorandum of Understanding (MoU), which paved the way to strengthen public financial management in the country through a number of benefits including the launch of the CPFA qualification.

The MoU signed between President of CA Sri Lanka Mr. Arjuna Herath and Chair of CIPFA International, Mr. Ian Ball offers a clear route for public sector accountants to obtain a locally and globally recognized specialist qualification.

The MoU also outlined a framework for future cooperation between the two institutes to improve the governance of public finance within the country and help improve the training and development in the accountancy profession. The collaboration also opened doors for CA Sri Lanka members to obtain CIPFA membership and professional development opportunities.

The collaboration reflects the overlapping interests of both bodies and their desire to share their skills, expertise and experience to further the cause of good public financial management. The MoU was signed in the presence of CIPFA Development Chair Mr. Alan Edwards, Vice President of CA Sri Lanka Mr. Lasantha Wickremasinghe, President of APFASL Mr. V Kanagasabapathy, CEO of CA Sri Lanka Mr. Aruna Alwis, council members of CA Sri Lanka and board members of APFASL.

At the signing of the MoU, CIPFA International Chair, Mr Ian Ball commented, "It is welcome news that CIPFA and CA Sri Lanka have signed this MoU that sets out the basis for a future cooperative relationship. The MoU has been created to reflect the interests of both parties, which are unified in their commitment to serve public interest. The joint work will enable the leading institutes to learn from each other by sharing expertise and experience so that their members can better serve the countries they work for. We look forward to a productive partnership that will genuinely enhance pubic financial management and provide an improved outcome for citizens of Sri Lanka."

Speaking at the signing of the MoU, Mr Arjuna Herath, President of CA Sri Lanka said, "CA Sri Lanka is committed to proactively playing its role in bringing about a transformation in the private and public sectors, and the society at large. Therefore every effort is taken to ensure that we reach this important objective. We are conscious of the critical anchor role that the public sector plays in economic development and progress of the country. We have embraced accounting and finance professionals working in the public sector as part of CA Sri Lanka, and we are committed to add value and nurture them."

"Our agreement with CIPFA is one such endeavour in our continuing efforts to offer our accounting professionals of the public sector the best qualification which is globally recognized," he added.Minister of Finance Mr. Ravi Karunanayake underscored the importance of bringing about reforms that will help enhance the country's public financial management. "Today, financial management is evolving into a complex and demanding process, it is crucial for growth and sustainability. Financial management in the public sector has been somewhat weak, maybe due to capacity limitations. Countries all over the world have been attempting to reform public financial management on their own and Sri Lanka cannot be an exception," he commented.

Speaking further, the minister said that it was important to commence with the legislative framework and formulate user-friendly rules, regulations, systems and procedures if Sri Lanka is to enjoy enhanced transparency, accountability and good governance. "I seek your support to work closely with the government to manage public resources economically, efficiently and effectively for the benefit of the people. It is through effective financial management that we could discharge public accountability," he told the audience comprising of chartered accountants and other financial professionals representing the public and private sectors. "I congratulate the Institute of Chartered Accountants of Sri Lanka's endeavour to improve the management of public finance. The enterprise shown by you will be recorded in glowing terms as a national service," he added.

The guest of honour, Secretary to the Treasury, Dr. R. H. S. Samarathunga emphasized that the launch of the qualification was a very important initiative at the present juncture, and it will definitely be a new beginning to strengthen public finance management in the country.

Mr. V. Kanagasabapathy of the Association of Public Finance Accountants of Sri Lanka (APFASL), the Public Sector Wing of CA Sri Lanka, said that the launch of the qualification was a leap for the public finance management in the country. "It has been a long felt need to raise the professional status of public finance managers by introducing a qualification that will meet the challenges they face in the public sector," he said. CIPFA Development Chair, Mr. Alan Edwards said that CA Sri Lanka is leading the world in focusing its attention on the public sector.

Vice President of CA Sri Lanka Mr. Lasantha Wickremasinghe said that given the important role that the public sector plays in the development of Sri Lanka, the agreement with CIPFA and the qualification will undoubtedly help strengthen the future of public sector accountants and finance professionals in the country.

Significant intake for BSc. degree in applied accounting

A significant number of students joined the fourth intake of the BSc. Degree in Applied Accounting of CA Sri Lanka.Addressing the new undergraduates, Chairman of the Board of Management of the School of Accounting and Business of CA Sri Lanka Ganaka Amarasinghe said, "Today, you begin an era in your life by choosing to be an undergraduate of this degree programme." "With the business world becoming more complex, professionals are not only expected to possess theoretical knowledge but also develop skills in presentation, communication, and also be privy to the importance of team work, and the degree programme by CA Sri Lanka educates students on all these important aspects," he said.

Although many institutions conduct degrees in Sri Lanka privately, most of them are affiliated to foreign institutes while lectures are conducted locally. According to Mr. Amarasinghe, CA Sri Lanka is one of the handful of institutes that have been approved by the University Grants Commission to grant independent degrees in the country. Director of the School of Accounting and Business of CA Sri Lanka Dr. Tikiri Andarawewa said that the graduates should be employable in any country. "As graduates, we will not teach you. We can't teach you, but we will guide you as teachers and you will have to learn, because in universities we encourage learning, not teaching," he said.

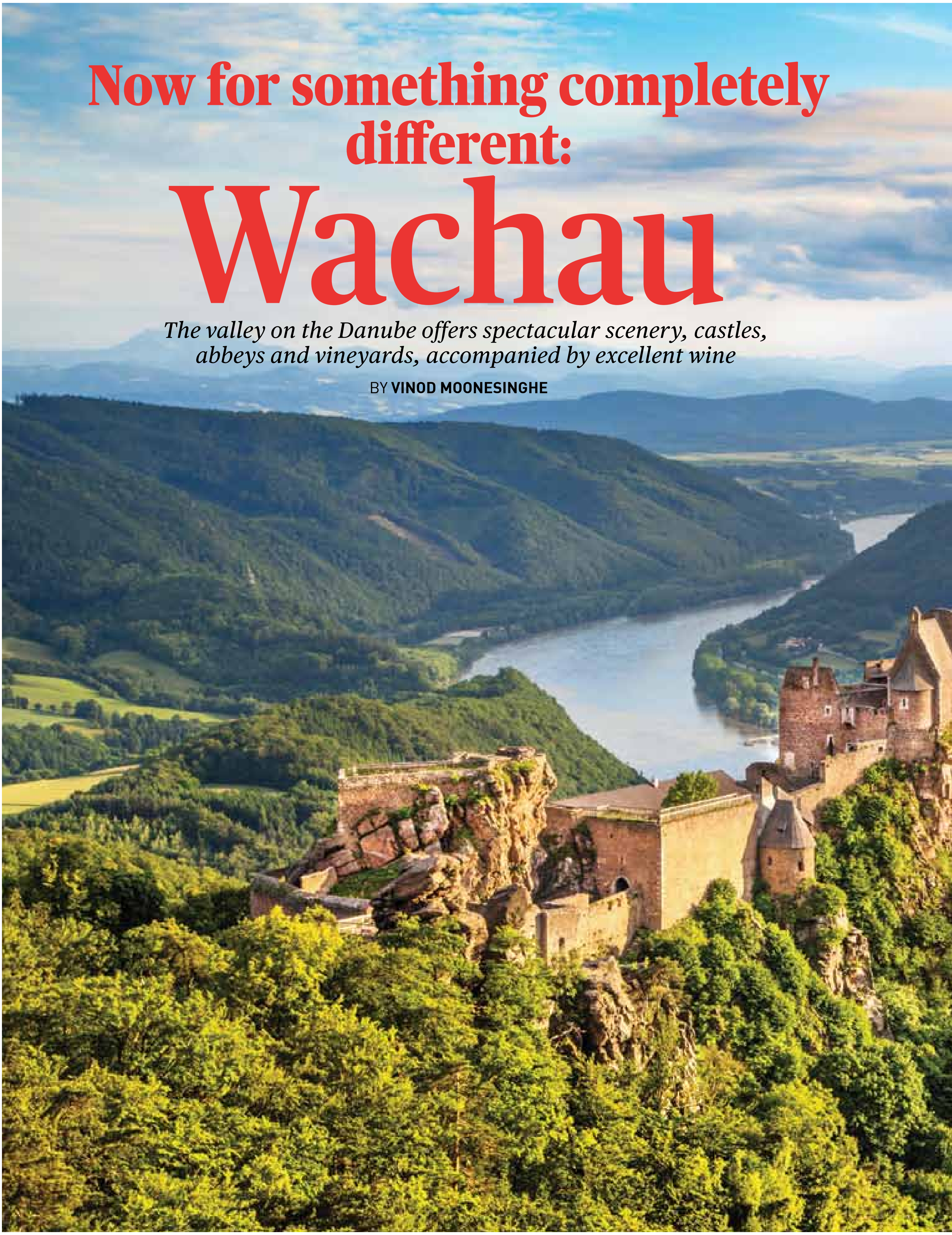
Meanwhile, the first batch of students following the CA Sri Lanka BSc. Degree is currently serving as interns at leading organizations including Brandix, WNS and KPMG. Student internship is part of the Applied Accounting degree curriculum.

The multi-disciplinary degree programme of CA Sri Lanka consist modules in business communication, economics, project management, corporate law, human resource management, information and communication technology. The CA Sri Lanka degree is also recognized internationally by CPA Australia, one of the world's largest accounting bodies, as an entry qualification to follow the CPA Programme. La Trobe University, one of Australia's top universities, also allows students following CA Sri Lanka's BSc. Degree in Applied Accounting the opportunity to transfer to La Trobe University.

Now for something completely different: Wachau

The valley on the Danube offers spectacular scenery, castles, abbeys and vineyards, accompanied by excellent wine

BY **VINOD MOONESINGHE**



Life

Mention "Austria" and most people will think of the mountains of "The Sound of Music", of Mozart's Salzburg, of Vienna or of the ski slopes of Innsbruck. However, the "Tadpole of Europe" is much more than that. One of its most pleasant areas is the Wachau (pronounced "vuck-how") Valley of the Danube, in Lower Austria. The picturesque banks of the Danube, flanked by gently rolling, vineyard-festooned hills and dotted with mediaeval villages, the Wachau Valley has a unique character and is a UNESCO-listed world heritage site.

MELK ABBEY, A WACHAU CULTURAL HERITAGE SITE

Melk Abbey

People who have read Umberto Eco's masterpiece, *The name of the rose*, will probably remember that the narrator was a Benedictine monk called Adso and came from Melk, a mediaeval abbey perched over the river. However, the reality surpasses what the imagination can conjure up.Melk Abbey is a massive baroque complex of buildings, sitting on top of a riverside cliff. It was originally the site of a castle on the strategic frontier between Germany and the Hungarians - "Melk" is derived from the Slavic term for "border".

The highlight of Melk is the baroque Abbey Church. The gilt interior, by Antonio Beduzzi,is absolutely magnificent. It is decorated with frescoes, altar paintings, and sculptures by Paul Troger, Johann Michael Rottmayr, Lorenzo Mattielli, Peter Widerin and Giuseppe Galli-Bibiena.

The Abbey Museum traces the history of the Benedictine order and of the monastery and Abbey and is a testament to the glory of God. Highlights are the eight-panel winged Melk Altar by Renaissance painter Jörg Breu the elder; the cross by abstract informal artist Arnulf Rainer; the 11th century altar of MargravineSwanhilde; and the Melk Cross, containing wood from Christ's cross.

The Marble Hall, in which the walls and door frames are all marble, has a ceiling by Paul Troger, depicting rather Athena, Hercules and other pagan motifs. This might be incongruous in a Christian institution, but the hall was used by the Hapsburgs for dining, and the ceiling was intended as a glorification of the Imperial family.

The world-famous Library stocks more than 100,000 volumes, in several rooms, connected by a spiral staircase with a rococo grating. It may have been the inspiration for the library in *The name of the rose*. The ceilings (religious and allegorical) are by Paul Troger. The Terrace, connecting the Marble Hall to the Library, affords a panorama of the town of Melk, the Danube and the Wachau Valley.

Wine is the most famous product of the Wachau Valley, which has been producing grapes for over two millennia.

AUSTRIA, WACHAU, NEAR AGGSBACH, DANUBE RIVER, VIEW OF SCHONBUHL CASTLE AND ABBEY

Aggsbach

Schönbühel-Aggsbach(pronounced "shownbyuhel-uggsbark") community corporation area is a popular tourist destination on the right bank of the Danube. Here can be seen the AggsbachCharterhouse, founded in 1380 as a Carthusian monastery, used as fortress from the 18th century onwards and is now a Carthusian museum. The late-Gothic monastic Charterhouse Church now serves as the parish church; parts of its interior is taken from the St. Pölten Carmelite nuns' church and contains 17th century altar paintings.

Aggstein Castle Ruins are to be found on top of a steep cliff,inland from Aggsbach. The castle was built in the 12th century by marcher barons and was destroyed several times. In the 15th century a local strongman, Jörg Scheck von Wald expanded it. It is home to many legends, among which is the story that the still-extant "Rosengärtlein" (little rose garden), an irregular 4 metre by 10 metre ledge, was used by Jörg to hold prisoners for ransom; most starved to death and many jumped into oblivion. After the 17th century the castle fell into ruin and only the 3-storeyed Frauenturm tower, and the 15th century Gothic chapel have survived.

Willendorf

In the Museum of Natural history in Vienna is a Paleolithic limestone figurine of a woman, about 11 centimetres high, dating back about 28,000 years. Known as the "Venus of Willendorf", it was for many years thought to be the earliest example of human sculpture, until other such "Venus figurines" were found (also in the same general area) which pre-dated it by up to 7,000 years; most famously the "Dancing Venus of Galgenberg", unearthed at Stratzing, not far from Krems.

The Willendorf Venus was made from limestone from the Brno area, 136km to the north-east, was originally painted ochre, and was probably worshipped by the nomadic people who made it. The figurine was found in the hamlet of Willendorf (villain-dorf) in the Schönbühel-Aggsbach community corporation area. Also on this site were found the oldest traces of modern humans (Homo Sapiens) in Europe, 43,500-year-old

Life

stone weapons for hunting. Today one can visit the archaeological site where the spot on which the Venus figurine was found, which is marked, protected by a small structure. Close by is a human-sized sculpture of the Venus of Willendorf.

Adjacent to the site is the railway line: the WachauerBahn, with the railway station of Willendorf in der Wachau and its 1909 waiting room. It was during the construction of the permanent way that the Venus figurine was found.

Spitz

The cobbled little winemaking town of Spitz (Shpits) is at the heart of the Wachau Valley, and was built around the Tausendeimerberg("Hill of a thousand buckets"), a hill covered with vineyards. It features renaissance and baroque houses and a beautiful town square on which is a unique late Gothic three-nave parish church from the 15th century. The 'Schifffahrtsmuseum', the Danube shipping museum, housed in the Erlahof baroque castle, contains more than 400 exhibits, ranging from an 1810 ship-wreck to numerous 1:20 model ships. On a ridge adjacent to the town are the ruins of the 13th century Hinterhaus (rear-house) Castle, which affords a splendid view of the Wachau Valley.

Dürnstein

At Dürnstein (doorn-shta-in), is an endearing mediaeval old town, with little alleyways leading to the Danube. The baroque blue Augustinian Monastery Tower, affords the best-known view of the Wachau valley. A sign-posted path leads from the town to the ruins of the Dürnstein Castle where Duke Leopold V held England's King Richard the Lionheart for an extortionate ransom after capturing him in 1192. The King was reputedly found by the troubadour Blondel, who went from town to town singing for Richard. The King's ransom was used to build the town of Wiener Neustadt!

Wine and cuisine

Wine is the most famous product of the Wachau Valley, which has been producing grapes for over two millennia. The location of the Valley creates a unique climate for viticulture: the warm dry winds from the eastern plains in the day, building up sugars and phenol compounds; complemented by cool day-time air from the forests to the north, which enable the preservation of acids and aromas. The effect of winter is moderated by the River Danube. Each vineyard has its own micro-climate and characteristics based on the soil, the way the terraces face, the amount of sun, the direction of the wind, and so on.

The region specialises in white wines, mainly Rieslings and Grüner Veltliner, but also Sauvignon blanc, Gelber Muskateller (Muscat blanc) and the native Neuburger. There are strict government regulations concerning quality control and labelling, complemented by the standards of the vintners association, VineaWachau.

Wachau cuisine is mainly complementary to the wine and consists mainly of snacks: 'Wachauerlaberl', Wachau's famous bread rolls, or fresh bread; and cheese, bacon and fish. The fish are delicious huchen, pike and zander, bred in tributaries of the Danube. The Wachau apricot trees furnish the delicious and uniquely-flavoured, EU-protected Wachau Apricots, which are used in fruity traditional dessert dishes, including the popular Wachau Marillenknödel apricot dumplings.

DURNSTEIN IS A SMALL TOWN ON THE DANUBE RIVER. IT IS ONE OF THE MOST VISITED TOURIST DESTINATIONS IN THE WACHAU REGION AND ALSO A WELL-KNOWN WINE GROWING AREA. THE TOWN GAINED ITS NAME FROM THE MEDIAEVAL CASTLE, BURGRUINE DURNSTEIN.

A must-see for railway buffs is the Wachauer Bahn, which was part of the longer Donauuferbahn railway line - dating back to 1909 - which linked Krems with Vienna.

Getting there and about

The Wachau Valley is only an hour and a half from Vienna by car or bus, and is also accessible by train and boat. The best way to experience the valley is by push-bike, motor-bike or on foot. Otherwise, the best option is by motor car. Another alternative is to go by boat - either a river cruiser or a "dragon boat". A must-see for railway buffs is the Wachauer Bahn, which was part of the longer Donauuferbahn railway line - dating back to 1909 - which linked Krems with Vienna. Although it no longer operates regularcommuter services, it is considered a cultural monument of the Wachau Valley, and the 34-kilometre section-between Krems and Emmersdorf (opposite Melk) has been preserved. Tourist trains run on this line, made up of gold and grey liveried Schlieren passenger carriages drawn by four-decades-old Jenbacher ÖBB 2043 diesel-hydraulic locomotives. Highlights of the line are the preserved stations (13 altogether); the eight tunnels - of which the longest, Schlossberg, is 569 metres long - and the eight-arch viaduct at Emmersdorf.

Looking

for a Long Term...

Good

Investment

This is it!

INVEST for LOW ELECTRICITY BILLS & ENJOY ENERGY INDEPENDENCE...

free Power®
YourOwnPower

Solar Photo Voltaic Systems

Powered by

ENERGY THAT CHANGES SMA

SUNYANG ENERGY

Special Offer

4.0kWp Solar Panel Array
4.0kW Inverter
Free Net Meter
470kWh's of monthly energy

Rs. 799,000.00 (for members)

Call 0712789897
for a free assessment

KURANSA Technologies
A Technological Mind

Enquires, 0112869200

422 1/1, Nawala Road, Rajagiriya

www.kuransa.lk

Swim on gently, O Giants!

BY **SRAVASTI GHOSH DASTIDAR**

A sleepy village in the Philippines comes alive after it learnt to lure in giant whale sharks tantalizingly close to its shores and these gentle giants are just the bait

The thought of waking up at 4 am while holidaying and journeying for 3 hours from Cebu City to Oslob was not at all stimulating. Experiencing a 30-minute friendly swim with the gentle giants of the sea was.After watching blue whales in Mirissa, humpback whales in Jervis Bay, dolphins off all possible sea and river coasts, one may not be enthused about another whale-watching session. How different could it be, I thought. Our Cebuan friend insisted it was not just watching from a safe boat. It was swimming - with the whale sharks. 'A must-do'. Interesting but we thought it was better to watch sharks on NatGeo.

WHALE SHARKS SWIM EVER SO CLOSE TO THE SHORES OF OSLOB

"They're not dangerous to humans and they are not right beside you. This gigantic fish's name is misleading. It is a docile, filter-feeding shark, feasting on plankton, krill and shrimps. It does not attack human beings."

Great! That means we won't be gobbled up... even if it's a 42 feet long, 21.5 tonne shark with a mouth almost five feet wide when open.

The eager expectation in our children's eyes was enough to make us decide to go for it.

The trip was booked, a day before, with the travel desk, and off we went with groggy eyes. Our chirpy guide, fully awake, engaged us with anecdotes about the whale sharks of Oslob.

Till a few years back, Tan-awan in Oslob was a sleepy little fishing village. Outsiders would venture in, only if lost, on the way to the beautiful Tumalog Falls. The fishermen observed that when they baited the fish with small shrimps, whale sharks would arrive instead and not let the fish come near the nets. The numbers varied from 8 to 20 at a time! Often, they had to stop fishing due to this. Some divers spotted this and marketed the idea of swimming with these giants to the world of divers and snorkelers.

They started enticing the butandings (Tagalog for whale sharks), to an area near the coast, with feeder boats. The visitors were taken on boats and literally, let loose.

The throngs of tourists had a negative impact on the tuki (Visaya for whale sharks). This vulnerable species was being exposed to the bacteria and infection from humans due to close interaction; many sustained injuries by getting scratched or entangled in the propellers of the boats; the migratory and spawning patterns were changing as they were flocking to the area of assured food instead of following the natural bloom of plankton; the village could not supply the amount of food needed. The food was imported, hence not fresh.

The throngs of tourists had a negative impact on the tuki (Visaya for whale sharks). This vulnerable species was being exposed to bacteria and infections from humans due to close interaction

This was bad news for the locals. For them, the visits of the whale sharks meant livelihood - for the shark-spotters, the boatmen; the low-budget hotels and restaurants, which mushroomed overnight; the shopkeepers and parking lot attendants; and the guides. So, the local government imposed regulations to control the chaotic and dangerous interaction.

Our scenic journey along the coastline ended as we reached the picturesque Brumini Resort with room and eating facilities. There was an option of parking the car and changing in the public showers or renting a room for the day. We opted to rent. Then, changed and were taken to the whale-watching location.

Pretty methodical place, the briefings centre. Whale watching timings are from 6 AM to 1 PM. Announcements were being made every 10 minutes to every new set of tourists, arriving in hordes. We were warned not to touch the sharks, to keep at least a 4 m distance from them; not to apply sunscreen lotion - the chemicals were harmful for the fish, no flash photography, etc.

We were warned not to touch the sharks, to keep at least a 4m distance from them, not to apply sunscreen - the chemicals were harmful for the fish, no flash photography, etc.

How does one calculate 4 m in the deep, while treading? The two swimmers in our family were trying hard to keep the butterflies from fluttering in the stomach.

We were given tickets and taken to the boarding area. If the numerous tourists in the briefing area were a dampener, then the sight of at least 25 boats in the sea with 4-8 passengers each, plus the feeding boats was a shock. I wondered how the sharks would come in this circus! The authorities may have laid down guidelines but shouldn't the number of visitors be restricted? Will the trip be worth it, after all?

Secured in life jackets, we boarded the narrow rowing boat with bamboo brackets on the sides for balancing. Our moods changed while riding over the crystal waters under the blue skies with scattered white clouds, the

gentle breeze blowing over us from the green island. 100 m into the sea, our boat was tied to the other boats. My daughter and husband went in with their snorkeling gear and underwater camera. I watched from an insecure position in a rocking boat, balancing my 5-year old son between my knees and a heavy camera in one hand, fervently hoping that the whale wouldn't surface from under the boat and topple us over.

5 minutes...and lo behold! There it was... the first of the whale sharks! A feeder boat was luring it by throwing shrimps into the sea. The shark was following it, intent on swallowing the food. It was right beside us!

A magnificent creation with a wide-mouthed broad, flat head and a short snout; large gills on each side; distinct colours of the vertical and horizontal stripes forming a checkered pattern against a dark background. Yes, it was that close... not separated by the glass wall of an aquarium... yet its smooth gliding motion belied its immensity. I wondered how it made its way through the congested course.

The threatening feeling diminished, though the boat rocked dangerously as the sharks kept coming. At least 5 sharks in 30 minutes!

"Very exciting but I was really scared that they might swallow me. I will do it again," said my daughter. My son kept describing them with wide-eyed wonder.

It was time for the swimmers to keep away from them. Some, like my daughter and husband (out of their gears by now but camera clicking away) were trying to cling onto the boats to avoid contact and mutual harm. Some base human beings had conveniently forgotten the warnings of the briefing centre.

It was thrilling for those in and out of water.

"Very exciting but I was really scared that they might swallow me. I will do it again," said my daughter. My son kept describing them with wide-eyed wonder.

"An exciting yet uncomfortable feeling with the big creature touching me, almost coming on to me, underwater. If I had known before, I would have hesitated. On hindsight, the coolness of the deep blue ocean; bobbing up and down alongside the boat; diving occasionally to see these majestic creatures was a lifetime experience. I would do it again with a lesser sense of panic!" - was the more mature reaction.

Indeed, a lifetime experience. For the sake of the sharks, I would prefer them to be allowed to behave more naturally. I wish to encounter them in wilder environments. And say, 'Swim on gently, O Giants, towards greener waters'.