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The Gazette of the Democratic Socialist Republic of Sri Lanka

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No. 2118/48 - TUESDAY, APRIL 09, 2019

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## PART I : SECTION (I) — GENERAL

### Revenue & Expenditure Notices

#### THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

#### Financial Statements for the year ended 31<sup>st</sup> December 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COUNCIL OF THE INSTITUTE  
OF CHARTERED ACCOUNTANTS OF SRI LANKA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION

I have audited the financial statements of **The Institute of Chartered Accountants of Sri Lanka**, ('the Institute'), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. I have also audited the statements of financial position of F.B. Lander Prize Fund and Cyril E. Begbie Memorial Prize Fund as at 31<sup>st</sup> December 2018.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Institute, F.B. Lander Prize Fund and Cyril E. Begbie Memorial Prize Fund as at December 31, 2018, and financial performance of the Institute and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



## **Basis for Opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Institute in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Other Information**

Management is responsible for other information. The other information comprises the information included in the Annual report, but does not include the financial statements and my auditors' report thereon.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- \* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- \* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- \* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- \* Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- \* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

D.V. DAYARATHNA,  
Chartered Accountant.

Colombo 06,  
19th March 2019.

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA**

**Statement of Financial Position**

<i>As at</i>	<i>Note</i>	<i>31.12.2018 Rs. '000</i>	<i>31.12.2017 Rs. '000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1,159,643	1,202,568
Intangible assets	4	6,201	28,233
Library books	5	433	704
Loans and advances to staff	6	9,429	11,336
Held to maturity financial assets	7	-	71,517
Available for sale financial assets	8	-	36,019
Financial assets at amortised cost	9	73,087	-
<b>Total non-current assets</b>		<b>1,248,793</b>	<b>1,350,377</b>
<b>Current assets</b>			
Inventories	10	17,785	16,306
Receivables	11	59,499	49,401
Loans and advances to staff	6	6,762	7,762
Held to maturity financial assets	7	-	586,136
Financial assets at amortised cost	9	993,504	-
Cash and cash equivalents	12	50,753	95,011
<b>Total current assets</b>		<b>1,128,303</b>	<b>754,616</b>
<b>Total assets</b>		<b>2,377,096</b>	<b>2,104,993</b>
<b>Funds and liabilities</b>			
<b>Accumulated fund and reserves</b>			
Accumulated fund		1,256,491	1,040,010
Capital reserve		699,000	699,000
AFS reserve		-	(2,346)
<b>Total accumulated fund and reserves</b>		<b>1,955,491</b>	<b>1,736,664</b>
<b>Funds and grants</b>			
Designated funds	13	39,246	35,773
Restricted funds and grants	14	17,417	17,172
Endowment funds	15	2,222	1,958
<b>Total funds and grants</b>		<b>58,885</b>	<b>54,903</b>
<b>Non-current liabilities</b>			
Retirement benefit obligation	16	28,107	27,821
<b>Total non-current liabilities</b>		<b>28,107</b>	<b>27,821</b>

### Statement of Financial Position

<i>As at</i>	<i>Note</i>	<i>31.12.2018 Rs. '000</i>	<i>31.12.2017 Rs. '000</i>
<b>Current liabilities</b>			
Payables		96,032	85,040
Income tax liability	17	16,548	79
Receipts in advance	18	192,087	166,191
Deferred income		29,946	23,544
Bank overdrafts	12	-	10,751
<b>Total current liabilities</b>		<b>334,613</b>	<b>285,605</b>
<b>Total liabilities</b>		<b>362,720</b>	<b>313,426</b>
<b>Total funds and liabilities</b>		<b>2,377,096</b>	<b>2,104,993</b>

The accounting policies and notes on pages 5 to 41 form an integral part of these financial statements.

These financial statements have been prepared and presented in compliance with Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.

.....  
Hemanthi Kevitiyagala  
Head of Finance

.....  
Prasanna Liyanage  
Secretary

Signed for and on behalf of the Council.

.....  
Jagath Perera  
President

.....  
Manil Jayesinghe  
Vice President

Colombo  
19th March 2018

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA**

**Statement of Comprehensive Income For the Year Ended 31st December**

	<i>Note</i>	<b>2018 Rs. '000</b>	<b>2017 Rs. '000</b>
Income	20	859,380	756,261
Expenditure	20	(350,835)	(353,243)
<b>Net income before employee costs and overheads</b>		<b>508,545</b>	<b>403,018</b>
<b>Other income</b>			
Other operating income	21	5,641	6,027
<b>Operating income</b>		<b>514,186</b>	<b>409,045</b>
<b>Overhead expenses</b>			
Employee costs	22	(220,515)	(217,601)
Maintenance of premises	23	(40,798)	(35,312)
Depreciation and amortisation	24	(66,669)	(76,693)
Other expenses	25	(43,487)	(43,556)
<b>Total overhead expenses</b>		<b>(371,469)</b>	<b>(373,162)</b>
<b>Net operating income</b>		<b>142,717</b>	<b>35,883</b>
Grants and other restricted funds	14.1	5,402	4,801
Related expenditure of grants	14.2	(784)	(1,667)
Contribution to designated funds	13	(16,676)	(16,047)
Transfers to restricted funds and grants	14.1	(1,724)	(1,389)
Contribution to endowment funds	15	(244)	(204)
		<b>(14,117)</b>	<b>(14,506)</b>
Finance income	25	102,842	67,469
<b>Income over expenditure for the year before Government grant</b>		<b>231,442</b>	<b>88,846</b>
Government grant	3.2	-	699,000
<b>Income over expenditure for the year before tax</b>		<b>231,442</b>	<b>787,846</b>
Income tax	27	(16,649)	(115)
<b>Income over expenditure for the year after tax</b>		<b>214,793</b>	<b>787,731</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Fair value changes on available for sale investments	8	-	2,133
Reclassification adjustment	9.1	2,346	-
<b>Items that will not be reclassified subsequently to profit or loss</b>			
<b>Defined benefit plan actuarial gain/(loss)</b>	16.1	<b>1,687</b>	<b>3,128</b>
<b>Total comprehensive income</b>		<b>218,826</b>	<b>792,992</b>

The accounting policies and notes on pages 5 to 41 form an integral part of these financial statements.

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA**

**Statement of Changes in Funds and Reserves For the Year Ended 31st December 2018**

	<i>Accumulated fund Rs. '000</i>	<i>Government grant Rs. '000</i>	<i>Available for sale reserve Rs. '000</i>	<i>Total Rs. '000</i>
<b>Balance as at 1st January 2017</b>	948,151	-	(4,479)	943,672
Income over expenditure for the year after tax	787,731	-	-	787,731
Land received as government grant	(699,000)	699,000	-	-
Actuarial loss on defined benefit obligation	3,128	-	-	3,128
Fair value changes on available for sale investments	-	-	2,133	2,133
<b>Balance as at 31st December 2017</b>	<b>1,040,000</b>	<b>699,000</b>	<b>(2,346)</b>	<b>1,736,664</b>
<b>Balance as at 1st January 2018</b>	1,040,000	699,000	(2,346)	1,736,664
Income over expenditure for the year after tax	214,793	-	-	214,793
Actuarial gain on defined benefit obligation	1,687	-	-	1,687
Reclassification adjustment	-	-	2,346	2,346
<b>Balance as at 31st December 2018</b>	<b>1,256,491</b>	<b>699,000</b>	<b>-</b>	<b>1,955,491</b>

Government grant received from the Democratic Socialist Republic of Sri Lanka as further explained in note 3.2.

Avialable for sale reserve had been transferred and adjusted against the fair value of financial assets as the investments are shown at amortised cost.

The accounting policies and notes on pages 5 to 41 form an integral part of these financial statements.

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA**

**Statement of Cash Flows For the year ended 31st December**

	<i>Note</i>	<i>2018 Rs. '000</i>	<i>2017 Rs. '000</i>
<b>Cash flow from operating activities</b>			
Income over expenditure for the year before tax		231,442	787,846
<b>Adjustments for;</b>			
Depreciation and amortisation	24	68,541	79,864
Reimbursements and amortisation of restricted funds and grants	14	(5,402)	(4,801)
Contribution to designated funds	13	16,767	16,047
Transfers to restricted funds and grants	14	1,724	1,389
Contribution to endowment funds	15	244	204
Provision for defined benefit plan	16	5,974	6,731
(Profit)/loss on disposal of property, plant and equipment	21	350	(10)
Amortisation of pre-paid staff cost	22	2,455	3,816
Finance income	26	(102,842)	(67,469)
Government grant	3.2	-	(699,000)
<b>Operating surplus before working capital changes</b>		<b>219,253</b>	<b>124,617</b>
(Increase) / decrease in inventory	10	(1,479)	8,131
(Increase) / decrease in receivables	11	(10,098)	8,504
(Increase) / decrease in loans and advances to staff	6	2,907	9,550
Increase / (decrease) in payables	17	10,992	5,775
Increase / (decrease) in deferred income		6,402	306
Increase / (decrease) in receipts in advance	19	25,896	(18,575)
<b>Cash generated from operations</b>		<b>253,873</b>	<b>138,308</b>
Tax paid	18	(180)	(116)
Gratuity paid	16	(4,001)	(7,603)
<b>Net cash inflow from operating activities</b>		<b>249,692</b>	<b>130,589</b>
<b>Cash flows from/ (used in) investing activities</b>			
Acquisition of property, plant and equipment and library books	3,5	(2,068)	(3,169)
Acquisition of intangible assets	4	(1,595)	(3,771)
Investment in held to maturity financial assets	7.1	-	(535,750)
Maturity proceeds received from held to maturity financial assets	7.1	-	392,426
Investment in financial assets at amortised cost	9.1	(954,450)	-
Maturity proceeds received from financial assets and amortised cost	9.1	544,541	-
Proceeds on disposal of property, plant and equipment		-	10
Finance income received		139,724	33,536
<b>Net cash flow from/ (used in) investing activities</b>		<b>(273,848)</b>	<b>(116,718)</b>



	Note	2018 Rs. '000	2017 Rs. '000
<b>Cash flows from / (used in) financing activities</b>			
Donations received to designated funds	13	25	27
Receipts to restricted funds and grants	14	6,583	5,093
Donations received to endowment funds	15	190	91
Payments made from designated funds	13	(13,319)	(10,934)
Payments made from restricted funds	14	(2,660)	(2,163)
Payments made from endowment funds	15	(170)	(454)
<b>Net cash flow from/ (used in) financing activities</b>		<b>(9,351)</b>	<b>(8,340)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(33,507)</b>	<b>5,531</b>
Cash and cash equivalents at the beginning of the year		84,260	78,729
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b>50,753</b>	<b>84,260</b>

The accounting policies and notes on pages 5 to 41 form an integral part of these financial statements.

## **1. General information**

### **1.1 Legal and domicile form**

The Institute of Chartered Accountants of Sri Lanka (the Institute) is a statutory body incorporated by Institute of Chartered Accountants Act No. 23 of 1959 (The Act), and domiciled in Sri Lanka, situated at 30A, Malalasekara Mawatha, Colombo 7.

### **1.2 Principal activities and nature of operations**

- To promote in general the theory and practice of accountancy and in particular auditing, financial management and taxation.
- To enrol, educate and train members who are desirous of learning or improving their skills and knowledge in disciplines such as auditing, financial management and taxation.
- Act as the sole authority for promulgating accounting and auditing standards in Sri Lanka.
- To organise, finance and maintain schemes for the granting of diplomas, certificates and other awards to members of the Institute and other professional bodies and to other persons who fulfil the prescribed conditions.
- Adoption and implementation of code of ethics and best practices.
- Conducting of technical awareness campaigns in the form of seminars, workshops and events to ensure continuous professional development of the members.
- Regulation and supervision of student education and training.
- Activities on matters of public interest.

### **1.3 Going concern**

Financial statements have been prepared on the assumption that the Institute is a going concern. The Council have made an assessment of the Institute's ability to continue as a going concern in the foreseeable future. Furthermore, The Council is not aware of any material uncertainties that may cast significant doubt upon the Institute's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Institute. Therefore, the financial statements continue to be prepared on the going concern basis.

### **1.4 Financial period**

The financial period of the Institute represents a twelve month period from 1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2018.

### **1.5 Accounting for Association of Public Finance Accountants of Sri Lanka (APFASL)**

APFASL has been set up jointly with the Institute of Public Finance and Development Accountancy (IPFDA) and The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in 2012, to enhance the capacity of public sector financial management professionals. Both CA Sri Lanka and IPFDA have equally contributed Rs. 10mn as initial investment for this project.

In terms of paragraph 5.9 of the Articles of Constitution of APFASL, on the occasion of dissolution, the fund will be either be spent for collective welfare purpose or be granted towards any good cause as the general membership feels best.

The assets and liabilities of Association of Public Finance Accountants of Sri Lanka (APFASL) which had been amalgamated with the Institute financials up to year 2015 have been de-recognised from the financial statements of the Institute from the year 2016 due to the amendment of certain clauses and provisions of the constitution of APFASL in order to operate as a more autonomous entity.

## **1.6 Basis of preparation of financial statements**

### **1.6.1 Statement of compliance**

The financial statements of the Institute have been prepared in accordance with Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.

These financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves, statement of cash flows and notes to the financial statements.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented in the financial statements unless otherwise stated.

### **1.6.2 Basis of measurement**

The financial statements have been prepared on accrual basis and under the historical cost basis, except where appropriate disclosures are made with regard to fair value under relevant notes.

### **1.6.3 Comparative information**

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements, in order to enhance the understanding of the financial statements of the current period and to improve comparability.

Where necessary, comparative figures have been rearranged to conform to the current year's presentation.

### **1.6.4 Responsibility and approval of financial statements**

The Council of the Institute of Chartered Accountants of Sri Lanka acknowledges their responsibility for the financial statements and financial statements approved and authorized for issue by the Council at the meeting held on 19<sup>th</sup> March 2019.

### **1.6.5 Materiality and aggregation**

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately, unless they are immaterial.

### **1.6.6 Functional and presentation currency**

The financial statements are presented in Sri Lankan Rupees, which is the Institute's functional and presentation currency, in the primary economic environment in which the Institute operates.

All financial information presented in Sri Lankan Rupees have been rounded to the nearest thousand, unless stated otherwise.

## **1.7 Significant accounting estimates and judgments**

The preparation and presentation of financial statements, in conformity with Sri Lanka Accounting Standards, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgments used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is as follows.

### **a) Association of Accounting Technicians of Sri Lanka (AAT) and Accounting for Association of Public Finance Accountants of Sri Lanka (APFASL)**

When determining that there is no requirement for consolidation, the consideration has been drawn to all factors and circumstances in SLFRS 10 - "Consolidated Financial Statements" (Paragraph 7) as follows;

- (a) power over the investee
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns.

Accordingly, management has determined that the Institute does not have exposure, or rights to variable returns from its involvement with AAT or APFASL. Hence there is no requirement for consolidation.

### **b) Defined benefit plans**

The cost of the retirement benefit plan of employees is determined using Projected Unit Credit (PUC) method. Such method involves use of assumptions concerning the rate of interest, rate of salary increase and retirement age. Due to the long term nature of the plan, such estimates are subject to significant uncertainty.

### **c) Changes in accounting estimates and judgments**

Any changes in accounting estimates and critical judgements are disclosed in the relevant notes to the financial statements.

## **2. Summary of significant accounting policies**

### **2.1 Assets and the bases of their valuation**

#### **2.1.1 Property, plant and equipment**

##### **(a) Basis of recognition and measurement**

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Institute and the cost of the asset can be measured reliably.

All property, plant and equipment are stated initially at cost and subsequently measured at cost less accumulated depreciation and any impairment losses. Repair and maintenance cost are recognised in the statement of comprehensive income as incurred. The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable.

#### (b) Depreciation

Depreciation is calculated by using a straight line method on the cost of all property, plant and equipment, in order to write-off such amounts over the estimated useful life of such assets. The estimated useful lives of assets are as follows;

<i>Asset category</i>	<i>Useful life</i>
Buildings	50 years
Furniture	5- 10 years
Plant and Machinery	5-10 years
Motor vehicles	10 years
Computers	5 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Significant items of property, plant and equipment with different useful lives are separately identified and depreciated.

Depreciation on property, plant and equipment purchased through restricted funds is charged to the statement of comprehensive income. The correspondent grant amount is amortised over the useful life of the related asset.

#### (c) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount and included in the statement of comprehensive income in the year, the asset is derecognised.

#### 2.1.2 Library books

Cost of library books are written off on the straight-line basis over a period of three years.

#### 2.1.3 Capital work-in-progress

Capital work-in-progress is stated at cost, less any impairment losses. These are expenses of a capital nature, directly incurred in the construction of property, plant and equipment awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset category in property, plant and equipment, when it is available for use i.e. when it is in the location and conditions necessary for it to be capable of operating in the manner intended by the Institute.

#### **2.1.4 Intangible assets**

##### **a. Computer software**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use. These costs are amortised over their estimated useful life of five (5) years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Institute are recognised as intangible assets when the following criteria are met:

1. it is technically feasible to complete the software product so that it will be available for use;
2. management intends to complete the software product and use it;
3. there is an ability to use the software product;
4. it can be demonstrated how the software product will generate probable future economic benefits;
5. adequate technical, financial and other resources to complete the development and to use the software product are available; and
6. the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Costs recognised as intangible assets are amortised over their estimated useful lives, which do not exceed five (5) years. Costs relating to development of software are carried in capital work in progress until the software is ready for use.

##### **b. Study material**

Costs that are directly attributable to the development of curriculum and study materials of the CA qualifications are recognised as intangible assets when it is technically feasible to implement the new curriculum, the investment attributable to the project during its development period can be reliably measured and it can be demonstrated that it will generate probable future economic benefits.

These costs are amortised over the effective period of the curriculum and the remaining useful life is reviewed at least at each financial reporting year end.

#### **2.1.5 Inventories**

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. The cost of inventories is based on weighted average cost. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

The inventories of the Institute include study packs, study material, publications, stationery and consumables.

### **2.1.6 Impairment of non-financial assets**

The Institute assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists or when annual impairment testing for an asset is required, the Institute makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value, using a discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount, since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot "exceed" the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

### **2.1.7 Financial assets – Initial recognition and measurement**

#### **(a) SLFRS 9 Financial Instruments**

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: "Recognition and Measurement" for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

#### **(b) Financial Assets**

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Institute's business model for managing them. With the exception of trade receivables that do not contain significant financing component for which the Institute has applied the practical expedient, the Institute initially measures financial assets at their fair value plus transaction costs. Trade receivables that do not contain a significant financing component for which the Institute has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. The Institute's business model for managing financial assets refers to how it manages financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows or selling the financial assets or both.

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position, if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

The financial assets of the Institute include receivables, loans and advances to staff, fixed deposits held to collect contractual cash flows, Government securities, repurchase agreements and cash and cash equivalents.

The Institute's financial assets are subsequently measured at amortised cost upon satisfaction of both of the following conditions:

- a) The financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows ; and
- b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Accordingly, financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### **2.1.8 Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of an Institute of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Institute has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either
  - (a) the Institute has transferred substantially all the risks and rewards of the asset, or
  - (b) the Institute has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Institute has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Institute continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Institute also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Institute has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Institute could be required to repay.

#### **2.1.9 Impairment of financial assets**

The Institute recognises an allowance for expected credit losses (ECLs) for all debt instruments measured at amortised cost.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Institute expects to receive, discounted at an approximation of the



original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Institute applies a simplified approach in calculating ECLs.

#### **2.1.10 Reclassification**

Financial assets are measured at amortised cost as the management intends to hold these instruments to collect the contractual cash flows upon completion of the SPPI test and evaluating the historical data. As of 01st January 2018, the Institute has elected the business model of hold to collect the contractual cash flows and measured the instruments at amortised cost.

Prior to 1st January 2018 financial assets were classified as Held to maturity and Available for sale. In complying with SLFRS 9, financial assets are reclassified at amortised cost. Cumulative balance in AFS reserve is removed and is used to adjust the reclassified amortised cost. EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Institute changes its objective of the business model for managing such financial assets.

Consequent to the change in the business model, the Institute reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

#### **2.1.11 Financial liabilities**

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. The Institute does not have financial liabilities for the year ended 31st December 2018.

#### **2.1.12 Cash and cash equivalents**

The Institute considers cash in hand as amounts due from banks and short-term deposits with an original maturity of three months or less to be “Cash and cash equivalents”. Bank borrowings that are repayable on demand and form an integral part of the Institute’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents comprise cash in hand, cash at bank, deposits at bank and repurchase agreements.

Bank overdraft is included as a component of cash and cash equivalents for the purpose of the statement of cash flows, which has been prepared using the ‘indirect method’.

### **2.2 Liabilities and provisions**

A liability is classified as current when it is expected to be settled in the normal operating cycle; held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Institute classifies all other liabilities as non-current.

### **2.2.1 Deferred income**

Deferred income results when invoices relating to courses and study programmes are raised at the commencement of the courses where the course delivery takes place over a period of several months. Deferred income is recognised in the statement of comprehensive income to the extent of course delivery taken place and the balance attributable to the remaining course period is recognised as a liability on the statement of financial position until income is recognised.

### **2.2.2 Provisions**

A provision is recognised in the statement of financial position, when Institute has a legal or constructive obligation as a result of a past event, it is probable that an outflow of assets will be required to settle the obligation and the obligation can be measured reliably.

#### **2.2.3.1 Employee benefits**

##### **(a) Employee defined benefit plan - Gratuity**

Defined benefit plan is a post-employment benefit plan, other than a defined contribution plan. The defined benefit is calculated by an independent actuary using Projected Unit Credit (PUC) method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using interest rates that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate, future salary increments and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Accordingly, the employee benefit liability is based on the actuarial valuation as of 31st December 2018. The Institute's accounting policy for gratuity is to recognise actuarial gains and losses in the period in which they occur in full in the statement of other comprehensive income.

##### **(b) Defined Contribution Plans- Employees' Provident Fund and Employees' Trust Fund**

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. These are recognised as an expense in the statement of comprehensive income as incurred. The Institute contributes 15% and 3% of gross emoluments of the employees to Employees' Provident Fund and Employees' Trust Fund respectively.

### **2.2.4 Taxation**

#### **a) Income tax**

The provision for current taxation has been computed in accordance with the Inland Revenue Act, No. 24 of 2017.

#### **b) Other taxes**

VAT has been paid in respect of rent received by the Institute, letting of movable or immovable property, being the only taxable activity carried on by the Institute. Since the Institute is not engaged in carrying on a trade or a business, the Institute is not liable for Economic Service Charge or Nation Building Tax. Therefore, no provision has been made for any other taxes.

**c) Deferred taxation**

Since the Institute is not carrying on a trade or business capital allowances have not been claimed against the liable income and there are no tax losses to be set off against any future taxable income. Deferred tax has not been provided in the financial statements.

**2.2.5 Translation of foreign currency transactions**

Transactions in currencies other than Sri Lankan Rupees are converted into Sri Lankan Rupees at rates which approximate the actual rates at the transaction date. At the reporting date, monetary assets (including securities) and liabilities denominated in foreign currency are converted into Sri Lankan Rupees at the rate of exchange at that date. Non - monetary assets and liabilities in foreign currencies that are stated at historical cost are translated at the foreign exchange rate at the date of the transaction. Realised and unrealised exchange differences are reported in the statement of comprehensive income.

**2.3 Accounting for the receipt and utilisation of funds, grants and reserves**

The Institute received various grants for specific development activities. Funds, grants and reserves have been classified as unrestricted funds, restricted funds and endowment funds.

**2.3.1 Unrestricted funds**

Unrestricted funds are those that are available for use by the Institute at the discretion of the Council and funds that are designated for a specific purpose by the Council in furtherance of the general objectives of the Institute. Allocations made by the Council for the credit of the designated funds are charged to the statement of comprehensive income. Surplus funds are transferred from restricted funds to unrestricted funds in terms of the relevant donor agreements or with the subsequent approval of the donor.

Contributions and donations received from the general public are recognised in the statement of comprehensive income at the time of receipt, where there are no terms of references.

### Designated funds

Unrestricted funds designated by the Council to a specific purpose are identified as designated funds. The Institute has accounted the following funds as designated funds and the purpose of such funds are elaborated as follows,

#### (a) Funds

#### (a) Funds

Name of the designated fund	Purpose
<b>Needy students' scholarship fund</b>	
L.A. Weerasinghe Memorial Needy Scholarship Fund	Help deserving and promising CA Sri Lanka students
<b>Merit scholarship funds</b>	
<ul style="list-style-type: none"> <li>* General Fund</li> <li>* CA Sri Lanka Scholarship Funds                             <ul style="list-style-type: none"> <li>• District 1st Scholarship fund</li> <li>• A/L Top 10 Scholarship fund</li> <li>• Children of staff members' Scholarship fund</li> <li>• Inter-school commerce competition Scholarship fund</li> <li>• CA Talent Scholarship fund</li> <li>• Top achievers at A/L tutorial Scholarship fund</li> </ul> </li> </ul>	Help deserving and promising students who have shown exceptional performance at CA Sri Lanka examinations and undergoing Business level training.
<b>Other funds</b>	
Faculty of Taxation Fund	Development of the tax profession
Faculty of Auditing Fund	Development of the auditing profession
Publication Fund	Development of publications
Urgent Issues Task Force Fund	Interpretation of accounting issues
Audit Quality Assurance Fund	Conducting audit quality assurance related activities

#### 2.3.2 Restricted funds

Where grants/donations are received for use in an identified project or activity, such funds are held in a restricted fund account and transferred to the statement of comprehensive income to match with expenses incurred in respect of that identified project. Unutilised funds are held in their respective fund accounts and included under accumulated fund and reserves in the statement of financial position until such time as they are required.

Where approved grant expenditure exceeds the income received and there is certainty that the balance will be received, such amounts are recognised through receivables in the statement of financial position.

The Institute has accounted the following funds and grants as restricted funds and the purpose of such funds and grants are elaborated as follows.

Name of the restricted fund	Purpose
<b>Needy students' scholarship funds</b>	
* CA Sri Lanka UK Members' Scholarship Fund	Help deserving and promising students to realise their future ambition of becoming a Chartered Accountant
* Dalton Wijeyeratne Memorial Scholarship Fund	
* Prof.Y.A.D.S.Samaratunga Memorial Fund	
* Prof. Kodagoda Memorial Fund	
* Members' Scholarship Fund	
* PricewaterhouseCoopers Scholarship Fund	
* Mr. Sanjaya Bandara Scholarship Fund	
* Mr. Chandradasa Liyanage Scholarship Fund	
* Mr. A.L.B. Brito Mutunayagam Memorial Scholarship Fund	
* Pelwatta Sugar Industries Ltd Fund	
* CA Qatar Chapter Scholarship Fund	
* Ernst & Young scholarship Fund	Institute administrates the scholarships granted to Ernst & Young trainees
* Miss. Inoka Gunaratne Memorial Fund	Help deserving and promising students
<b>Grants</b>	
* World Bank Grant – IRQUE project	Capacity building project
* World Bank Grant – strengthening the Institute of Chartered Accountants of Sri Lanka	Implementing an audit quality assurance, assist and educate SMPs, increase the awareness of IFRSs, strengthen the public sector financial management

Name of the restricted fund	Purpose
<b>Needy students' scholarship funds</b>	
* Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) Grant	Promulgating accounting and auditing standards
* PricewaterhouseCoopers Grant – Human Resources Information System	Provided the HRIS developed by PricewaterhouseCoopers as a free grant to the Institute
* Ernst & Young SME Grant	Provide training on audit tool kit for small and medium practices
<b>Other restricted funds</b>	
<b>Best annual report competition fund</b>	
<ul style="list-style-type: none"> <li>* Deshabandu Albert Page</li> <li>* Late Mr.Cyril Gardiner</li> <li>* Hayleys PLC</li> </ul>	<p>To encourage excellence in the presentation of information in annual reports. Awards are presented to the winners annually. Categories under which the awards are presented are as follows;·</p> <ul style="list-style-type: none"> <li>• Overall and sector Awards (Gold, Silver, Bronze)·</li> <li>• Corporate Governance Disclosure Award (Gold, Silver, Bronze)</li> <li>• Corporate Social Responsibility Reporting Award (Gold, Silver, Bronze)</li> <li>• Management Commentary Award· Integrated Reporting Award (Gold, Silver, Bronze)</li> <li>• Integrated Reporting-special Award : Best disclosure on business model and capital management</li> </ul>

### 2.3.3 Endowment funds

Where assets are received as an endowment, which are not exhausted, only the income earned from such assets may be recognised and used as income.

Investment income and other gains realised from funds available under each of the above categories are allocated to the appropriate funds, unless the relevant agreement or minute provides otherwise.

Name of the endowment fund	Purpose
<b>Prize funds</b>	
<ul style="list-style-type: none"> <li>• CA Sri Lanka President's fund</li> <li>• B R De Silva memorial fund</li> <li>• A D B Talwatte fund</li> <li>• Satchithananda memorial fund</li> <li>• Kreston MNS fund</li> <li>• NivardCabraal fund</li> <li>• ReyazMihular fund</li> <li>• D R Settinayake memorial fund</li> <li>• ADE De S Wijeyeratne memorial fund</li> <li>• Mohan Abeynaike fund</li> <li>• KPMG fund</li> <li>• Ernst &amp; Young fund</li> <li>• SJMS Associates fund</li> <li>• Sunil Piyawardena &amp; Co. fund</li> <li>• Lal Nanayakkara &amp; Co. fund</li> <li>• G C B Wijeyesinghe memorial fund</li> <li>• Nihal Hettiarachchi fund</li> <li>• Jayaweera &amp; Co. fund</li> <li>• Brito Mutunayagam memorial fund</li> <li>• PricewaterhouseCoopers fund</li> <li>• K G H De Silva prize fund</li> <li>• BDO Partners prize fund</li> </ul>	Awarding subject prizes and merit prizes for the best performance of each examination.

The Institute's policies regarding the endowment funds are;

#### i. Investment policy:

Funds are invested only in Government Securities and fixed deposits in state owned banks. Investments are made after considering the higher yield on investment, liquidity and interest rate risk for reinvestment. All new investment and reinvestment decisions require the approval of the investment committee.

**ii. Withdrawal policy:**

Withdrawals are not made other than at maturity. Any early withdrawal requires the approval of the investment committee.

**iii. Fund usage policy:**

Usage is restricted for the specific purpose for which the fund was established.

**2.3.4 Grants**

**2.3.4.1 Land received as a government grant:**

Government grants for non-monetary assets are recognised when there is reasonable assurance that the grant will be received and all attached conditions have been complied with.

The method adopted for accounting for Government grant is income approach, where the grant relating to non-depreciable asset is recognised in the statement of comprehensive income.

Fair value is treated as deemed cost of the land at the date of the recognition of Government grant given in the financial statements.

**2.3.4.2 Revenue grants**

Other grants are recognised in the financial statements at their fair value. When the grant or subsidy relates to an expense it is recognised as an income over the period necessary to match it with the costs, which is intended to compensate for on a systematic basis.

Grants and subsidies related to assets are generally deferred in the statement of financial position and credited to the statement of comprehensive income over the useful life of the asset.

**2.4 Statement of comprehensive income**

**2.4.1 Income recognition**

**(a) Income**

The sources of revenue of CA Sri Lanka is recognised as per SLFRS 15 on "*Revenue from contracts with customers*". SLFRS 15 supersedes LKAS 18 on "*Revenue*" and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with the customers. Accordingly, SLFRS 15 establishes five step model to account for revenue recognition at an amount that reflect the consideration where CA Sri Lanka expects to provide services to its stakeholders. The Institute has adopted SLFRS 15 using the full retrospective method based on the assessment performed and decided that the impact is not material to the financial statements and therefore adjustment has not been made in the retained earnings opening balance of the statement of changes in funds and reserves.

In terms of SLFRS 15, Revenue is recognised upon satisfactory performance obligation is achieved. CA Sri Lanka expects that, the revenue recognition to occur over time where stakeholders (mainly students and members) simultaneously receives and consumes the benefits provided by CA Sri Lanka and when the Institute has an enforceable right to receive payment for performance completed. Otherwise, the revenue of the Institute is recognised at point in time.

Following table provides the details of the sources of revenue and recognition of revenue



	<i>Revenue Source</i>	<i>Recognition of Revenue</i>
01.	Enrolments	Fees received in connection with enrolments to CA, Degree, or another program as a student; CBA, CSBA, ACA, FCA, or other membership, certificate to practice, training and learning partners are recognised at the point in time where the approval of the Council is granted and payment is due on such applications as the performance obligation to stakeholder service is established.
02.	Subscriptions and Annual Renewal	<p>The annual subscription applicable for the financial period that is charged from members and students is recognised over time since the performance obligation satisfied over the financial period in which the subscription is due. Subscription charged relating to future periods are shown in the statement of financial position as fees received in advance under current liabilities.</p> <p>Annual renewal charge from training partners and teaching colleges are recognised as income as and when the approval is granted by the Council. Which is deemed to be delivery of service at the point of time.</p>
03.	Examinations	Fees on examinations are recognised as income upon satisfactory execution of the performance obligation in the generation of admission.
04.	Income from supply of Educational Materials	Sale proceeds of the supplies of educational materials are recognised as an income at the point in time of dispatch or sale has occurred.
05.	Income from courses	Income from courses except the general examinations are recognised as an income on periodic basis over time. Income from courses relate to future periods are shown in the Statement of Financial Position as income received in advance under current liabilities.
06.	Income from Seminar and Workshops	Income from seminars, workshops, conference and other continuous professional development activities are recognised at the point in time upon register and collect on the payment for the event.
07.	Arrears, penalties and fines	Arrears, penalties and fines in connection with the payments received after the due date are recognised upon receipt of income. Therefore, revenue is recognised at point in time.
08.	Income from Training Agreements of CA Students	Income arising from training agreement with students is recognised on periodic basis over time from registration to completion of training agreement.

**(b) Other income**

The sources of other income is recognised as per the Conceptual Framework and other applicable standards. The following table provides the details of sources of other income along with the treatment being followed.

	<i>Source of Other Income</i>	<i>Applicable Accounting Standards / Interpretations</i>	<i>Accounting Treatment</i>
01.	Income from Hire of Halls	Conceptual Framework	Income from hire of halls is recognised on accrual basis.
02.	Sponsorships and Contributions	Conceptual Framework	Income from sponsorships and contributions is recognised on accrual basis.
03.	Gains/Losses on Sale Of Property, Plant and Equipment	LKAS 16	Net gains and losses on the disposal of property, plant and equipment are recognised in the statement of comprehensive income after deducting from the proceeds on disposal, the carrying value of the item disposed of and any related selling expenses. In the case of any revalued asset, any balance remaining in the revaluation reserve account is transferred to the statement of comprehensive income at the time of disposal of the assets.
04.	Miscellaneous Income	Conceptual Framework	Any other income not specified above is recognised on accrual basis.

**(c) Restricted contributions/income**

Restricted contributions are provided based on agreements, contracts or other understanding, where the conditions for receipt of the funds are linked to a performance of a service or other process. The Institute earns the contribution through compliance with the conditions that have been laid down and meeting the envisaged obligations. Income is not recognised in the Statement of Comprehensive Income, until there is reasonable assurance that the contribution will be received and the conditions stipulated for its receipt have been complied with and the relevant expenses that it is expected to compensate has been incurred and charged to the statement of comprehensive income. Receipt of the funds does not by itself provide conclusive evidence that the conditions attached to the contribution have been or will be fulfilled. Until the conditions have been fulfilled, the contribution is regarded as part of restricted funds.

On receiving any restricted contributions, the contribution is recognised in the Statement of Financial Position. Thereafter, on a systematic basis, an amount equivalent to that which has been spent on agreed “restricted” activities during the period, is taken to income. Unutilised funds are carried forward as such in the Statement of Financial Position.

Funds received as donations without any direct request being made or without any defined terms and conditions being laid down with regard to utilisation, are unrestricted. In such circumstances the funds are recognised as income when it is received.

Funds are recognised in the statement of comprehensive income up to the extent that the Institute disburse the scholarship funds received for the agreed purpose.

The accounting treatments laid down above are in compliance with Conceptual Framework.

**(a) Finance income:**

Finance income comprise of Interest income which has been recognised using Effective Interest Rate method (EIR) according to SLFRS 09 *Financial Instruments*.

**2.4.2 Expenditure recognition**

Expenses in carrying out the projects and other activities of the Institute are recognised in the statement of comprehensive income during the period in which they are incurred. Other expenses incurred in administering and running the Institute and in restoring and maintaining the property, plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the statement of comprehensive income.

Institute has adopted the “Function of Expense” method to present fairly the elements of the Institute’s activities in its statement of comprehensive income.

**(a) Project expenses**

Expenses in carrying out the projects and other activities of the Institute are recognised in the statement of comprehensive income during the period in which they are incurred and the basis for identifying project expenses are mainly on locations of the project, staff allocated to the project and projected activities of the project according to the project proposal.

Expenses are recognised in the statement of comprehensive income on the basis of direct association between the cost incurred and the earning of specific items of income.

**(b) Operational expense**

All expenditure incurred in the running of the Institute and in maintaining the capital assets in a state of efficiency has been charged against income in arriving at the income over expenditure for the year.

Expenditure on examinations, seminars, courses, and other educational and members’ activities are recognised in the statement of comprehensive income on the accruals basis.

**(c) Finance expense**

Finance expense is recognised on accrual basis when it is paid or creates liabilities.

**2.5 Statement of cash flows**

The Statement of Cash Flows has been prepared by using the ‘Indirect Method’ of preparing of cash flows in accordance with Sri Lanka Accounting Standard- LKAS 7 on ‘Statement of Cash Flows’. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 12.

## **2.6 Capital commitments and contingencies**

Contingencies are possible assets or obligation that arise from past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Institute's control.

Capital commitments and contingent liabilities of the Institute are disclosed in the respective notes to the financial statements.

## **2.7 Events after the reporting period**

The materiality of events occurring after the reporting period has been considered and appropriate adjustments, wherever necessary, have been made in the financial statements.

## **2.8 Standards issued but not yet effective**

Following new accounting standards and amendments to existing standards which have been issued but not yet effective as at the reporting date have not been applied in preparing these financial statements.

### **2.8.1 Standards effective from the financial period beginning on or after 1<sup>st</sup> January 2019.**

New SLFRSs and interpretations:

- SLFRS 16 *Leases*

Amendments to existing SLFRSs:

- Annual Improvements to SLFRSs - 2017 (Includes amendments to SLFRS 3 *Business Combinations*, Amendments to SLFRS 11 *Joint Arrangements*, Amendments to LKAS 12 *Income Taxes*, Amendments to LKAS 23 *Borrowing Costs*)
- Prepayment Features with Negative Compensation (Amendments to SLFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to LKAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to LKAS 19)

### **2.8.2 Standards effective from the financial period beginning on or after 1<sup>st</sup> January 2020.**

Amendments to existing SLFRSs:

- Conceptual Framework for Financial Reporting
- Accounting Policies Changes - Proposed amendments to LKAS 8
- Definition of a Business - Amendments to SLFRS 3
- Definition of Material - Amendments to LKAS 1 and LKAS 8

## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

### Notes to the Financial Statements (Contd.)

#### Note 3 - Property, Plant and Equipment

##### Cost

	Land Rs. '000	Buildings Rs. '000	Furniture Rs. '000	Plant and machinery Rs. '000	Motor vehicles Rs. '000	Computers Rs. '000	Total Rs. '000
<b>Balance as at 1st January 2017</b>	-	<b>507,029</b>	<b>96,898</b>	<b>134,764</b>	<b>12,282</b>	<b>67,832</b>	<b>818,805</b>
Grant*	699,000	-	-	-	-	-	699,000
Additions	-	-	1,206	660	-	950	2,816
Disposals	-	-	-	-	-	(48)	(48)
<b>Balance as at 1st January 2018</b>	<b>699,000</b>	<b>507,029</b>	<b>98,104</b>	<b>135,424</b>	<b>12,282</b>	<b>68,734</b>	<b>1,520,573</b>
Additions	-	-	1,472	55	-	68	1,595
Disposals and discontinuations	-	-	(5,484)	(2,814)	-	(12,424)	(20,722)
<b>Balance as at 31st December 2018</b>	<b>699,000</b>	<b>507,029</b>	<b>94,092</b>	<b>132,665</b>	<b>12,282</b>	<b>56,378</b>	<b>1,501,446</b>

##### Accumulated depreciation

	Land Rs. '000	Buildings Rs. '000	Furniture Rs. '000	Plant and machinery Rs. '000	Motor vehicles Rs. '000	Computers Rs. '000	Total Rs. '000
<b>Balance as at 1st January 2017</b>	-	<b>77,263</b>	<b>48,357</b>	<b>74,164</b>	<b>10,648</b>	<b>53,108</b>	<b>263,540</b>
Depreciation charge for the year	-	18,618	8,329	21,316	770	5,480	54,513
Disposals	-	-	-	-	-	(48)	(48)
<b>Balance as at 1st January 2018</b>	-	<b>95,881</b>	<b>56,686</b>	<b>95,480</b>	<b>11,418</b>	<b>58,540</b>	<b>318,005</b>
Depreciation charge for the year	-	18,619	8,639	11,092	765	5,055	44,170
Disposals and discontinuations	-	-	(5,376)	(2,588)	-	(12,408)	(20,372)
<b>Balance as at 31st December 2018</b>	-	<b>114,500</b>	<b>59,949</b>	<b>103,984</b>	<b>12,183</b>	<b>51,187</b>	<b>341,803</b>

##### Carrying Amounts

<b>As at 31st December 2018</b>	<b>699,000</b>	<b>392,529</b>	<b>34,143</b>	<b>28,681</b>	<b>99</b>	<b>5,191</b>	<b>1,159,643</b>
As at 31st December 2017	<b>699,000</b>	411,148	41,418	39,944	864	10,194	1,202,568

**3.1** The cost of fully depreciated assets as of 31-12-2018 amounted to Rs. 141.4mn. (2017: Rs. 123 mn).

\* **3.2** The land on which the Institute's buildings are situated is a conditional government grant to the Institute under the hand of His Excellency the President Maithripala Sirisena.

This land, which is situated at 30A, Malalasekara Mawatha, Colombo 07 with a land extent of 174.76 perches has been valued by the Government Chief Valuer on 17th March 2017, at a value of Rs. 699Mn.

As per schedule 2 and schedule 3 of the Presidential grant no 4/10/22311 dated 17th March 2017 granted under chapter 454 23(2) of the State Land Ordinance, the land and buildings shall be used solely for the activities of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and shall not be used for any other purpose. Further, CA Sri Lanka cannot alienate the land and buildings referred to therein without the prior approval of the Commissioner of Land.

**The Institute of Chartered Accountants of Sri Lanka**

**Notes to the Financial Statements (Contd.)**

*Note 4 - Intangible assets*

**Cost**

	<i>Software Rs. '000</i>	<i>Software licences Rs. '000</i>	<i>Study material development Rs. '000</i>	<i>Work-in progress - projects Rs. '000</i>	<i>Total Rs. '000</i>
<b>Balance as at 1st January 2017</b>	<b>20,294</b>	<b>4,277</b>	<b>78,026</b>	<b>231</b>	<b>102,828</b>
Additions	976	663	53	2,079	3,771
Capitalised during the year	-	-	275	(275)	-
<b>Balance as at 1st January 2018</b>	<b>21,270</b>	<b>4,940</b>	<b>78,354</b>	<b>2,035</b>	<b>106,599</b>
Additions	785	-	-	810	1,595
Capitalised during the year	1,585	-	-	(1,585)	-
<b>Balance as at 31st December 2018</b>	<b>23,640</b>	<b>4,940</b>	<b>78,354</b>	<b>1,260</b>	<b>108,194</b>

**Amortisation**

	<i>Software Rs. '000</i>	<i>Software licences Rs. '000</i>	<i>Study material development Rs. '000</i>	<i>Work-in progress - projects Rs. '000</i>	<i>Total Rs. '000</i>
<b>Balance as at 1st January 2017</b>	<b>15,918</b>	<b>3,205</b>	<b>34,996</b>	<b>-</b>	<b>54,119</b>
Amortisation for the year	1,946	673	21,628	-	24,247
<b>Balance as at 1st January 2018</b>	<b>17,864</b>	<b>3,878</b>	<b>56,624</b>	<b>-</b>	<b>78,366</b>
Amortisation for the year	1,605	292	21,730	-	23,627
<b>Balance as at 31st December 2018</b>	<b>19,469</b>	<b>4,170</b>	<b>78,354</b>	<b>-</b>	<b>101,993</b>

**Carrying Amounts**

<b>As at 31st December 2018</b>	<b>4,171</b>	<b>770</b>	<b>-</b>	<b>1,260</b>	<b>6,201</b>
<b>As at 31st December 2017</b>	<b>3,406</b>	<b>1,062</b>	<b>21,730</b>	<b>2,035</b>	<b>28,233</b>

CA Study material development cost has been fully amortised by the end of 2018.  
The expenses incurred on new curriculum has been shown under Work-in-progress-projects

**As at**

	<i>31.12.2018 Rs. '000</i>	<i>31.12.2018 Rs. '000</i>
<b>Balance at the beginning of the year</b>	<b>704</b>	<b>1,455</b>
Additions	473	353
Depreciation	(744)	(1,104)
<b>Balance at the end of the year</b>	<b>433</b>	<b>704</b>

*Note 5 - Library books*

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA**

**Notes to the Financial Statements (Contd.)**

	31.12.2017 Rs. '000	31.12.2016 Rs. '000
<b>Note 6 - Loans and Advances to Staff</b>		
Receivable within one year	6,762	7,762
Receivable after one year	9,429	11,336
<b>Total</b>	<b>16,191</b>	<b>19,098</b>
<b>Note 7 - Held to Maturity Financial Assets</b>		
Maturity within one year - FDs	-	556,304
- Bonds	-	29,832
	-	<b>586,136</b>
Maturity after one year - Bonds	-	71,517
	-	71,517
<b>Total</b>	<b>-</b>	<b>657,653</b>
<b>7.1 Movement during the year</b>		
Balance as at 1st January	-	483,551
Investments made during the year	-	535,750
Maturities during the year	-	(392,426)
Net interest for the year	-	56,110
Net interest received	-	(25,332)
Balance as at 31st December	-	<b>657,653</b>
<b>Note 8 - Available for Sale Financial Assets</b>		
Maturity after one year		
Balance as at 1st January	-	34,547
Interest for the year	-	3,090
Coupon interest received	-	(3,751)
Fair value changes	-	2,133
Balance as at 31st December	-	<b>36,019</b>
Fair Value Measurement		

**Fair Value Measurement**

The institute uses Level 2 inputs in the valuation hierarchy as per SLFRS 13 in determining and disclosing the fair value of assets and liabilities by valuation techniques;

Level 2 includes inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly.

As at 31st December 2017 the institute held the following financial assets carried at fair value on the statement of financial position.

<i>Assets Measured at Fair Value</i>	<i>Valuation Date</i>	<i>Level 02</i>
Available for sale financial assets	31.12.2017	36,019

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

	31.12.2017 Rs. '000	31.12.2016 Rs. '000
<b>Note 9 - Financial Assets at Amortised Cost</b>		
Maturity within one year - FDs	955,856	-
- Bonds	37,648	-
Maturity after one year - Bonds	993,504	-
	73,087	-
	73,087	-
<b>Total</b>	<b>1,066,591</b>	<b>-</b>
<b>9.1 Movement during the year</b>		
Investment balance as at 1st January	613,177	-
Interest receivable as at 1st January	80,555	-
Reclassification adjustment	2,346	-
Investments made during the year	954,450	-
Maturities during the year	(544,541)	-
Net interest for the year	96,411	-
Net interest received	(135,747)	-
Balance as at 31st December	<b>1,066,591</b>	<b>-</b>
Investments in FDs include Rs. 25mn designated for the Audit Quality Assurance Fund. Fixed deposits and treasury bonds have been made in state owned banks with a credit rating of AA+		
<b>Note 10 - Inventories</b>		
Study packs and study materials	8,913	8,179
Publications	4,240	4,240
Stationery, consumables and others	4,852	3,887
<b>Total</b>	<b>17,785</b>	<b>16,306</b>
<b>Note 11 - Receivables</b>		
Receivables - Lead sponsors	9,500	11,000
- Event sponsors	6,750	6,750
- Courses and other	31,563	19,543
Deposits and prepayments	4,688	5,334
Pre-paid staff cost	2,707	2,960
Advances	4,281	3,814
<b>Total</b>	<b>59,499</b>	<b>49,401</b>
<b>Note 12 - Cash and Cash Equivalents</b>		
Favourable balances		
Treasury bill re-purchase agreements	-	45,014
Cash at banks	50,652	49,896
Cash in hand	101	101
<b>Total</b>	<b>50,753</b>	<b>95,011</b>
<b>Unfavourable balances</b>		
Bank overdrafts	-	(10,751)
<b>Total cash and cash equivalents for the purpose of statement of cash flows</b>	<b>50,753</b>	<b>84,260</b>



**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA**

**Notes to the Financial Statements (Contd.)**

**Note 13- Designated Funds**

**13.1 Summary**

		<i>Balance as at 1.1.2018 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Donations Received Rs. '000</i>	<i>(Payments ) Rs. '000</i>	<i>Balance as at 31.12.2018 Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>
Designated scholarship funds	13.2	29,464	13,527	25	(13,319)	29,697	29,464
Other designated funds	13.3	6,309	3,240	-		9,549	6,309
<b>Total designated funds</b>		<b>35,773</b>	<b>16,767</b>	<b>25</b>	<b>(13,319)</b>	<b>39,246</b>	<b>35,773</b>

		<i>Balance as at 1.1.2018 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Donations Received Rs. '000</i>	<i>(Payments ) Rs. '000</i>	<i>Balance as at 31.12.2018 Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>
<b>12.2 Designated scholarship funds</b>							
L A Weerasinghe memorial needy scholarship fund		10,428	910	25	(4,009)	7,354	10,428
Merit scholarship fund		5,169	1,920	-	(4,052)	3,037	5,169
CA Sri Lanka scholarship funds		13,867	10,697	-	(5,258)	19,306	13,867
<b>Total designated scholarship funds*</b>		<b>39,464</b>	<b>13,527</b>	<b>25</b>	<b>(13,319)</b>	<b>29,697</b>	<b>29,464</b>

\* CA Sri Lanka scholarship funds consist off scholarship funds fo District First, A/L, Top Ten, Children of Staff members, Inter School Commerce Competition, National Conference, Talent and Top Achievers at A/L, Tutorial.

		<i>Balance as at 1.1.2018 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Donations Received Rs. '000</i>	<i>(Payments ) Rs. '000</i>	<i>Balance as at 31.12.2018 Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>
<b>13.3 Other designated funds</b>							
Faculty of Taxation fund		674	73	-	-	747	674
Faculty of Auditing fund		651	70	-	-	721	651
Publication fund		422	45	-	-	467	422
Urgent Issues Task Force fund		462	50	-	-	512	462
Audit Quality Assurance fund*		4,100	3,002	-	-	7,102	4,100
<b>Total other designated funds</b>		<b>6,309</b>	<b>3,240</b>	<b>-</b>	<b>-</b>	<b>9,549</b>	<b>6,309</b>

\*Audit Quality Assurance Fund was formed by designating an investment in Fixed Deposit amounting to Rs. 25 mn, of which the interest income is transferrable to the fund every year w.e.f. 1st July 2018. During the year 2018 interest amounting to Rs. 3,002,414- has been transferred to Audit Quality Assurance Fund.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

Note 14 - Restricted Funds and Grants

14.1 Summary

		<i>Balance as at 1.1.2018 Rs. '000</i>	<i>Transfers to funds Rs. '000</i>	<i>Grants/ Donations received Rs. '000</i>	<i>(Reimbursements &amp; Amortisation) Rs. '000</i>	<i>Rs. '000</i>	<i>Balance as at 31.12.2018 Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>
Grants	14.2	830	-	4,600	(5,384)	-	46	830
Other restricted funds	14.3	7,941	855	-	(18)	-	8,778	7,941
Restricted scholarship funds	14.4	8,401	869	1,983	-	(2,660)	8,593	8,401
<b>Total restricted funds and grants</b>		<b>17,172</b>	<b>1,724</b>	<b>6,583</b>	<b>(5,402)</b>	<b>(2,660)</b>	<b>17,417</b>	<b>17,172</b>

		<i>Balance as at 1.1.2018 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Grants received Rs. '000</i>	<i>(Reimbursements &amp; Amortisation) Rs. '000</i>	<i>Rs. '000</i>	<i>Balance as at 31.12.2018 Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>
<b>14.2 Grants</b>								
World Bank grant - IRQUE project	14.2.1	749	-	-	-	(749)	-	749
World Bank grant - Strengthening the Institute of Chartered Accountants of Sri Lanka	14.2.2	35	-	-	-	(35)	-	35
Ernst & Young SME grant	14.2.3	46	-	-	-	-	46	46
		<b>830</b>	<b>-</b>	<b>-</b>	<b>- *</b>	<b>(784) *</b>	<b>46</b>	<b>830</b>

Revenue grants

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) grant	14.2.4	-	-	4,000	(4,000)	-	-	-
Government grant	14.2.5	-	-	600	(600)	-	-	-
<b>Total grants</b>		<b>830</b>	<b>-</b>	<b>4,600</b>	<b>4,600</b>	<b>(784)</b>	<b>46</b>	<b>830</b>

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA**

**Notes to the Financial Statements (Contd.)**

	2018 Rs. '000	2017 Rs. '000
<b>Grants - Total expenditure</b>		
World Bank grant - Strengthening the Institute of Chartered Accountants of Sri Lanka	35	110
World Bank grant - IRQUE project	749	1,217
PricewaterhouseCoopers grant	-	340
<b>Total</b>	<b>784*</b>	<b>1,667</b>

\* Grants -Total expenditure represents amortisation amounting to Rs. 784,000/-.

**14.2.1 - World Bank Grant - IRQUE Project**

	Balance as at 1.1.2018 Rs. '000	Grants received Rs. '000	(Amortisation) Rs. '000	Balance as at 31.12.2018 Rs. '000	Balance as at 31.12.2017 Rs. '000
Motor coach	749	-	(749)	-	749
<b>Total</b>	<b>749</b>	<b>-</b>	<b>(749)</b>	<b>--</b>	<b>749</b>

Amortisation of grants consists of amortisation of property, plant and equipment related grant amounting to Rs. 749,189/- (Note 3)

14.2.2 World Bank Grant-Strengthening the Institute of Chartered Accountants of Sri Lanka: Following activities have been carried out under the World Bank project on strengthening the Institute of Chartered Accountants of Sri Lanka.

	2018 Rs. '000	2017 Rs. '000
Component 3 : Programme to increase adoption of IFRSs	35	110
	35	110

Total expenditure of Rs.34,833/- is the depreciation charge relating to two laptops and a digital screen.

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA**

**Notes to the Financial Statements (Contd.)**

**14.2.3 Ernst & Young SME Grant :** This amount represents the grant received from Ernst & Young to provide training on audit tool kit for Small and Medium Practices (SMPs).

**14.2.4 SLAASMB Grant :** During the of Rs.4 mn was received from Sri Lanka Accounting and Auditing Standards Monitoring Board - SLAASMB) for the development of accounting and auditing standards which was utilised in full for the said purpose.

**14.2.5 Government Grant :** A grant of Rs.600,000/- represents the annual recurrent grant received from the Treasury through the The Ministry of Industry and Commerce.

	<i>Balance as at 1.1.2018</i>	<i>Transfer of interest income to funds</i>	<i>Donations received</i>	<i>(Reimbursements)</i>	<i>Balance as at 31.12.2018</i>	<i>Balance as at 31.12.2017</i>
	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>
<b>13.3 Other restricted funds</b>						
Best annual report competition fund (Note 14.3.1)	7,941	855	-	(18)	8,778	7,941
<b>Total other restricted funds</b>	<b>7,941</b>	<b>855</b>	<b>-</b>	<b>(18)</b>	<b>8,778</b>	<b>7,941</b>

**14.3.1 Best Annual Report Competition Fund**

	<i>Balance as at 1.1.2018</i>	<i>Transfer of interest income to funds</i>	<i>Donations received</i>	<i>(Reimbursements)</i>	<i>Balance as at 31.12.2018</i>	<i>Balance as at 31.12.2017</i>
	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>
Deshabandu Albert Page (1992)	1,069	115	-	(4)	1,180	1,069
Late Mr. Cyril Gardiner (1992)	6,498	700	-	(10)	7,188	6,498
Hayleys PLC (1994)	374	40	-	(4)	411	374
<b>Total</b>	<b>7,941</b>	<b>855</b>	<b>-</b>	<b>(18)</b>	<b>8,778</b>	<b>7,941</b>

**The Institute of Chartered Accountants of Sri Lanka**

**Notes to the Financial Statements (Contd.)**

	<i>Balance as at 1.1.2018 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Donations received Rs. '000</i>	<i>(Payments) Rs. '000</i>	<i>Balance as at 31.12.2018 Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>
<b>14.4 Restricted scholarship funds</b>						
CA Sri Lanka UK Members' scholarship fund	41	4	-	-	45	41
Prof. Y A D S Samaratunga memorial fund	192	15	-	(101)	106	192
Prof. Kodagoda memorial fund	171	11	-	(133)	49	171
PricewaterhouseCoopers scholarship fund	186	15	6	(108)	99	186
Ernst & Young scholarship fund	3,669	430	1,557 *	(918)	4,738	3,669
Miss. Inoka Gunaratne memorial fund	65	7	-	-	72	65
Pelwatta Sugar Industries Ltd. fund	432	40	-	(115)	357	432
Members' scholarship fund	955	87	388 **	(680)	750	955
Dalton Wijeyeratne memorial scholarship fund	9	1	-	-	10	9
Mr. Sanjaya Bandara scholarship fund	977	91	32 ***	(305)	795	977
Mr. Chandradasa Liyanage scholarship fund	367	35	-	(89)	313	367
A.L.B.Brito Mutunayagam memorial scholarship fund	337	25	-	(211)	151	337
CA Qatar Chapter Scholarship Fund	1,000	108	-	-	1,108	1,000
<b>Total restricted scholarship funds</b>	<b>8,401</b>	<b>869</b>	<b>1,983</b>	<b>(2,660)</b>	<b>8,593</b>	<b>8,401</b>

\* Includes Rs. 385,000/- paid to Mr. Manil Jayasinghe by the Institute for his services and Rs. 825,455/- for foreign travel expenses which he didn't claim.

\*\* Includes Rs. 10,500/- paid to Mr. Jagath Perera by the Institute for services rendered by him.

\*\*\* Represents Rs. 31,562/- paid to Mr. Sanjaya Bandara by the Institute for the services rendered by him.

**Note 15 - Endowment Funds**

**15.1 Summary**

		<i>Balance as at 1.1.2018 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Donations received Rs. '000</i>	<i>Transfers Rs. '000</i>	<i>(Payments) Rs. '000</i>	<i>Balance as at 31.12.2018 Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>
Capital balances - prize funds	15.2	1,392	-	190	(190)	-	1,392	1,392
Income balances - prize funds	15.3	566	244	-	190	(170)	830	566
<b>Total endowment funds</b>		<b>1,958</b>	<b>244</b>	<b>190</b>	<b>-</b>	<b>(170)</b>	<b>2,222</b>	<b>1,958</b>

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

		<i>Balance as at 1.1.2018 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Donations received Rs. '000</i>	<i>(Transfers to income account ) Rs. '000</i>	<i>Balance as at 31.12.2018 Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>
<b>15.2 Capital balances - prize funds</b>							
CA Sri Lanka President's fund	(1992)	25	-	-	-	25	25
B R De Silva memorial fund	(1992)	25	-	-	-	25	25
A D B Talwatte fund	(1993)	25	-	-	-	25	25
Satchithananda memorial fund	(1993)	16	-	-	-	16	16
Kreston MNS fund	(1993)	30	-	-	-	30	30
Nivard Cabraal fund	(1994)	50	-	-	-	50	50
Reyaz Mihular fund	(1996)	25	-	-	-	25	25
D R Settinayake memorial fund	(1999)	68	-	-	-	68	68
ADE de S Wijeyeratne memorial fund	(1999)	43	-	-	-	43	43
Mohan Abeynaika fund	(1999)	25	-	100	(100)	25	25
KPMG fund	(1999)	113	-	-	-	113	113
Ernst & Young fund	(1999)	200	-	-	-	200	200
SJMS Associates fund	(1999)	66	-	-	-	66	66
Sunil Piyawardena & Co fund	(1999)	55	-	-	-	55	55
Lal Nanayakkara & Co fund	(2000)	75	-	-	-	75	75
G C B Wijeyesinghe memorial fund	(2000)	50	-	-	-	50	50
Nihal Hettiarachchi fund	(2000)	51	-	-	-	51	51
Jayaweera & Co fund	(2000)	25	-	40	(40)	25	25
Brito Mutunayagam memorial fund	(2003)	129	-	-	-	129	129
PricewaterhouseCoopers fund	(2006)	150	-	-	-	150	150
K G H De Silva Prize fund	(2006)	121	-	-	-	121	121
BDO Partners Prize fund	(2014)	25	-	50	(50)	25	25
<b>Total</b>		<b>1,392</b>	<b>-</b>	<b>190</b>	<b>(190)</b>	<b>1,392</b>	<b>1,392</b>

<i>Balance as at 1.1.2018 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Transfers from capital account Rs. '000</i>	<i>(Payments) Rs. '000</i>	<i>Balance as at 31.12.2018 Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>
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15.3 Income balances - endowment funds

Prize funds - income balances	566	244	190	(170)	830	566
	<b>566</b>	<b>244</b>	<b>190</b>	<b>(170)</b>	<b>830</b>	<b>566</b>

**The Institute of Chartered Accountants of Sri Lanka**

**Notes to the Financial Statements (Contd.)**

As at

31.12.2018 31.12.2017  
Rs. '000 Rs. '000

**Note 16 - Retirement Benefit Obligation**

Balance at the beginning of the year	27,821	31,821
Provision made during the year (Note 16.1)	4,287	3,603
Payments made during the year	(4,001)	(7,603)
<b>Balance at the end of the year</b>	<b>28,107</b>	<b>27,821</b>

**16.1 - Provision made during the year**

Interest cost	3,061	3,819
Current service cost	2,913	2,912
	5,974	6,731
Net actuarial (gain) / loss recognised	(1,687)	(3,128)
<b>Total provision made during the year</b>	<b>4,287</b>	<b>3,603</b>

16.2 Actuarial and Management Consultants (Pvt) Ltd., qualified actuaries carried out an actuarial valuation on the defined benefit plan-gratuity as at 31st December 2018. The assumptions used in determining the cost of retirement benefits are as follows :

	2018	2017
Rate of discount	11.5% per annum	1.0% per annum
Rate of salary increase	8.0%	8.0%
Retirement age	55 years	55 years

	2018	2017
	<i>Increase / (decrease) of defined benefit obligation Rs. '000</i>	<i>Increase / (decrease) of defined benefit obligation Rs. '000</i>
<b>Sensitivity analysis to discount rate</b>		
One percentage point increase	(908)	(862)
One percentage point decrease	974	922
<b>Sensitivity analysis to salary escalation rate</b>		
One percentage point increase	1,116	1,063
One percentage point decrease	(1,056)	(1,009)

**16.3 Maturity Profile of the defined benefit obligation as at 31st December**

<i>Future working life time</i>	<i>Defined benefit obligation</i>	
	<i>2018 Rs. '000</i>	<i>2017 Rs. '000</i>
Within next 12 months	<b>8,285</b>	8,238
Between 1 to 5 years	<b>11,887</b>	11,724
Between 5 to 10 years	<b>6,393</b>	6,739
Beyond 10 years	<b>1,542</b>	1,120
<b>Total</b>	<b>28,107</b>	27,821

Weighted Average Duration of Defined Benefit Obligation is 3.68 years (2017- 3.51 years)

**Note 17- Payables**

Accrued charges	67,634	57,938
Payables to suppliers	18,020	18,357
Payables-capital projects	705	1,702
Refundable deposits	50	-
Payables on self-study courses and other payables	9,596	6,829
Other Tax payables	27	214
<b>Total</b>	<b>96,032</b>	<b>85,040</b>

**The Institute of Chartered Accountants of Sri Lanka**

**Notes to the Financial Statements (Contd.)**

As at

	<i>31.12.2018 Rs. '000</i>	<i>31.12.2017 Rs. '000</i>
<b>Note 18 - Income Tax Liability</b>		
Balance brought forward	79	80
Charge for the year (Note 27)	16,649	115
Tax payable	16,728	195
Tax paid during the year	(180)	(116)
Balance carried forward	16,548	79

**Note 19 - Receipts in advance**

Advances received for educational activities	128,417	116,580
Advances received for member subscription and events	63,670	49,611
<b>Total</b>	<b>192,087</b>	<b>166,191</b>



**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA**

**Notes to the Financial Statements (Contd.)**

FOR THE YEAR ENDED 31ST DECEMBER

	2018			2017		
<b>Note 20 - Income and Expenditure (Excluding employee costs)</b>						
	<i>Income Rs. '000</i>	<i>(Expenditure) Rs. '000</i>	<i>Net Income/ (Expenditure) Rs. '000</i>	<i>Income Rs. '000</i>	<i>(Expenditure) Rs. '000</i>	<i>Net Income/ (Expenditure) Rs. '000</i>
<b>Performance by activity</b>						
Learning and professional development	642,258	(229,772)	412,483	560,076	(231,345)	328,731
Continuous professional development and member related activities	160,115	(87,173)	72,942	143,467	(86,430)	60,037
Financial reporting and assurance standards related activities	46,728	(32,249)	14,479	40,270	(33,433)	6,837
Library related activities	650	(1,641)	(991)	593	(2,035)	(1,442)
Net sponsorship income*	9,632	-	9,632	8,855	-	8,855
<b>Total</b>	<b>859,380</b>	<b>(350,835)</b>	<b>508,545</b>	<b>756,261</b>	<b>(353,243)</b>	<b>403,018</b>
<b>Analysis by divisions</b>						
Examinations	216,723	(100,910)	115,813	189,566	(92,979)	96,587
Registration, Education, Training, Library and Marketing	210,117	(55,108)	155,009	185,260	(65,260)	120,000
IT Training and Language Centre	41,829	(11,223)	30,606	38,871	(11,874)	26,997
Members‘ activities **	199,107	(106,079)	93,028	185,424	(107,936)	77,488
Business school	26,183	(16,208)	9,975	33,380	(18,377)	15,003
Taxation faculty	28,539	(11,271)	17,268	26,742	(11,697)	15,045
School of Accounting and Business	113,874	(36,303)	77,571	80,997	(32,543)	48,454
CPD secretariat	1,721	(550)	1,171	986	(564)	422
Technical research	21,287	(13,183)	8,104	15,035	(12,013)	3,022
<b>Total</b>	<b>859,380</b>	<b>(350,835)</b>	<b>508,545</b>	<b>756,261</b>	<b>(353,243)</b>	<b>403,018</b>
<b>*</b>	<i>2018 Rs. '000</i>	<i>2017 Rs. '000</i>				
Gross Sponsorship Income	15,500	17,500				
Utilization of sponsorship benefits	(5,868)	(8,644)				
Net Sponsorship Income	9,632	8,856				

\*\*Member activities include Rs. 8.4 mn paid for foreign travel during the year 2018. (2017 : Rs. 10.6 mn)

Mr. Jagath Perera has not claimed the foreign travel expenses of Rs. 1.7 mn approximately during the year. Further, Foreign travel expenses amounting to Rs. 825,455.00 reimbursed to Mr. Manil Jayasinghe has been donated to Ernst & Young Scholarship Fund.

**The Institute of Chartered Accountants of Sri Lanka**

**Notes to the Financial Statements (Contd.)**

FOR THE YEAR ENDED 31ST DECEMBER

	2018 Rs. '000	2017 Rs. '000
<b>Note 21 - Other Operating Income</b>		
Income from hire of halls	3,195	4,366
Profit on sale of publications	1,073	763
Gain on disposal of property, plant and equipment	(350)	10
Miscellaneous income	1,723	888
<b>Total other operating income</b>	<b>5,641</b>	<b>6,027</b>
<b>Note 22 - Employee Costs</b>		
Salaries and wages	159,189	163,978
Defined contribution plan cost		
- Employees' Provident Fund	17,048	17,679
- Employees' Trust Fund	3,410	3,536
Contractual and casual payments	10,264	7,714
Exgratia payment	14,690	7,703
Staff development and welfare	7,485	6,444
Amortisation of pre-paid staff cost	2,455	3,816
Defined benefit plan cost	5,974	6,731
<b>Total employee costs</b>	<b>220,515</b>	<b>217,601</b>
No. of employees as at year end	139	142
<b>Note 23 -Maintenance of Premises</b>		
Utilities	14,834	14,977
Maintenance of building	18,663	15,617
Maintenance of equipment	7,301	4,718
<b>Total maintenance of premises</b>	<b>40,798</b>	<b>35,312</b>
<b>Note 24 - Depreciation and Amortisation</b>		
Depreciation for the year	44,170	54,513
Depreciation of library books	744	1,104
Amortisation of intangible assets	23,627	24,247
	68,841	79,864
Amortisation of capital grant	(784)	(1,667)
Depreciation charged to expenditure on learning and professional development	(1,088)	(1,504)
<b>Total depreciation and amortisation</b>	<b>66,669</b>	<b>76,693</b>
<b>Note 25 - Other Expenses</b>		
Communication expenses	24,131	24,161
Travelling expenses	1,736	1,455
Bank charges and commissions	5,770	4,083
Professional fees	2,858	3,834
Auditors' remuneration	330	330
Legal fees	2,657	3,404
Cost of Annual Report	4,237	3,972
Stationery and sundry expenses	1,768	2,317
<b>Total other expenses</b>	<b>43,487</b>	<b>39,584</b>

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA**

**Notes to the Financial Statements (Contd.)**

FOR THE YEAR ENDED 31ST DECEMBER

	2018 Rs. '000	2017 Rs. '000
<b>Note 26 - Finance Income</b>		
Interest income on available for sale financial assets	-	3,090
Interest income on held-to-maturity financial assets	-	56,111
Interest income on financial assets at amortised cost	96,410	-
Interest income on investments in re-purchase agreements	3,225	3,302
	99,634	62,503
Interest income on loans and receivables	3,208	4,966
<b>Total Finance income</b>	<b>102,842</b>	<b>67,469</b>
<b>Note 27 - Income tax</b>		
Reconciliation between current tax expenses (reversal) and the accounting income over expenditure -		
Surplus for the year before Government grant	231,442	88,846
Surplus not liable for tax	(112,462)	(87,696)
Income liable for tax	118,980	1,150
Taxation	16,649	115
<b>Charge for the year</b>	<b>16,649</b>	<b>115</b>

## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

### Notes to the Financial Statements (Contd.)

#### Note 28 - Events Occurring after the Reporting Period

There are no material events occurring after the reporting period that require adjustment or disclosure in the financial statements except described below.

The council of the Institute decided at its meeting held on 28th February 2019;

- Designate a fund for new technological developments by allocating Rs. 100mn, of which the interest income will be transferrable to the fund every year for investing in the new developments and technological areas, researches and simulation of the newly developed tools in order to obtain real life experience for CA students.
- Further enhance the scholarship fund for children of staff members by allocating Rs. 15mn, of which interest income will be transferrable to the fund every year in order to support to elevate the children of the members of CA staff.
- Designate a special scholarship scheme for Non-commerce students by allocating Rs. 60mn, of which the interest income will be transferrable to the fund every year to offer scholarships to attract non-commerce students into the profession.

#### Note 29 - Commitments

##### Capital Commitments

As at

	31.12.2018 Rs. '000	31.12.2017 Rs. '000
<b>Authorised but not contracted</b>		
Intangible assets	<b>100,000</b>	100,000
Property, plant and equipment	<b>41,000</b>	41,000
<b>Total</b>	<b>141,000</b>	141,000

Capital commitments represent the Rs.100 mn approved by the council for ERP Project and Rs. 41mn approved by the council for an extension of the building.

#### Note 30 - Contingent Liabilities

The Institute has received assessments in respect of Value Added Tax (VAT) for the period commencing from 01st April 2012 to 31<sup>st</sup> December 2014 which amounted to Rs. 61 mn and Nation Building Tax (NBT) for the period commencing from 01st July 2009 to 31st December 2014 amounted to Rs. 100 mn in separate instances. Further, the Institute has received assessment in respect of Economic Service Charge (ESC) for the period commencing on 01st April 2009 to 31<sup>st</sup> March 2012 amounted to Rs. 4.5mn. All these assessments are under appeal. The VAT assessments under appeal have been confirmed by the Commissioner General of Inland Revenue. The Institute intends appealing against the determination of Commissioner General of Inland Revenue. All the other assessments are under appeal and will be determined by the Commissioner General of Inland Revenue.

No provision has been made in the financial statements based on the consultant's opinion as the Institute is not liable for above mentioned taxes assessed.

A case has been filed by an ex-employee of CA Sri Lanka on the grounds of wrongful termination in 2013, and has requested for a reasonable amount of compensation to be paid the ex-employee. A provision has not been made in these financial statements, since the case is ongoing.

#### Note 31 - Related Party Transactions

Payments are made in the ordinary course of business to any member of the Institute for certain specified activities. During the reporting period the following members of the Council have been involved in such activities at the request of the Council on behalf of the Institute.

#### For the year ended 31st December

<i>Name</i>	<i>Transactions</i>	<i>2018 Rs. '000</i>	<i>2017 Rs. '000</i>
Mr. S. M. S. S. Bandara *	Educational activities	-	90
	Technical activities	111	206
	Lecture fees	18	41
Mr. Manil Jayesinghe **	Technical activities	385	390
Mr. Tishan Subasinghe	Technical activities	-	6
Mr. Jagath Perera ***	Lecture fees	11	-
Mr. Dulitha Perera	Technical activities	-	10

\* An amount of Rs. 31,562/- earned by Mr. S.M.S.S. Bandara for the services rendered to the Institute had been returned and credited to Mr. Sanjaya Bandara scholarship fund at the request of Mr. S.M.S.S. Bandara.

\*\* An amount of Rs.385,000/- earned by Mr. Manil Jayesinghe for the services rendered to the Institute had been returned and credited to the Ernst & Young scholarship fund at the request of Mr. Manil Jayesinghe.

\*\*\* An amount of Rs.10,500/- earned by Mr. Jagath Perera for the services rendered to the Institute had been returned and credited to the Members' scholarship fund at the request of Mr. Jagath Perera.

#### Note 32 - Transactions engaged between CA Sri Lanka and AAT, where CA Sri Lanka appoints eight council members out of the sixteen of AAT.

	<i>2018 Rs. '000</i>	<i>2017 Rs. '000</i>
<b>Payments to AAT</b>		
Advertisement in organizer	30	30
Sponsorships	1,000	-
<b>Receipts from AAT</b>		
Advertisement in organizer	30	30
Registration and tickets for Annual Report Awards Competition	176	130

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA**

**Notes to the Financial Statements (Contd.)**

**Note 33 - Financial Risk Management**

The Institute has exposure to the following risks from its use of financial instruments. These are monitored by the Council Finance and Administration review committee on a regular basis:

1. Credit risk
2. Liquidity risk
3. Market risk

**33.1 Credit Risk**

Credit risk is the risk of finance losses to the Institute if a recipient of a service or counterparty to a financial instrument fails to meet its contractual obligations.

To minimise the credit risk fixed deposits are held with state owned banking Institutions and investments in treasury bonds and re-purchase agreements are made only through state owned banks.

**Carrying Value as at 31st December**

	<i>2018</i> <i>Rs. '000</i>	<i>2017</i> <i>Rs. '000</i>
Fixed deposits	955,856	556,304
Treasury bonds	110,735	137,368
Loans and receivables	64,004	56,391
Treasury bill re-purchase agreements	-	45,014
<b>Total</b>	<b>1,130,595</b>	<b>795,077</b>

**33.2 Liquidity Risk**

The Institute is managing the liquidity risk by ensuring that there will always be sufficient liquidity to meet its liabilities when due without incurring unacceptable damages to the Institute's reputation.

**Maturity Analysis of Financial Assets and Liabilities**

<i>Description</i>	<i>On Demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>2 to 3 years</i>	<i>More than 3 years</i>	<i>Total</i>
<b>Financial Assets</b>						
Receivables	36,420	11,393	-	-	-	47,813
Loans and advances to staff	-	2,093	4,669	7,137	2,292	16,191
Fixed deposits	-	52,743	903,113	-	-	955,856
Treasury bonds	-	-	37,648	73,087	-	110,735
Cash and cash equivalents	50,753	-	-	-	-	50,753
	<u>87,173</u>	<u>66,229</u>	<u>945,430</u>	<u>80,224</u>	<u>2,292</u>	<u>1,181,348</u>
<b>Financial Liabilities</b>						
Payables	(18,020)	(9,623)	(705)	-	-	(28,348)
	<u>(18,020)</u>	<u>(9,623)</u>	<u>(705)</u>	<u>-</u>	<u>-</u>	<u>(28,348)</u>
<b>Net financial assets</b>	<u><b>69,153</b></u>	<u><b>56,606</b></u>	<u><b>944,725</b></u>	<u><b>80,224</b></u>	<u><b>2,292</b></u>	<u><b>1,153,000</b></u>

**33.3. Market Risk**

Market risk is the risk that changes in interest rates which will affect the Institute's income or the value of its holding of financial instruments.

The Institute manages and controls the market risk exposure within acceptable parameters while optimising the return.

**F.B. LANDER PRIZE FUND**

**STATEMENT OF FINANCIAL POSITION**

AS AT	31.12.2018		31.12.2017	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>ASSETS</b>				
Balance at National Savings Bank		762		733
		762		733
<b>EQUITY AND LIABILITIES</b>				
Capital		13		13
<b>Income Account</b>				
Balance as at 1 <sup>st</sup> January	720		660	
Add: Interest for the year	29	749	30	720
		762		733

**CYRIL E. BEGBIE MEMORIAL PRIZE FUND**

**STATEMENT OF FINANCIAL POSITION**

AS AT	31.12.2018		31.12.2017	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>ASSETS</b>				
Balance at National Savings Bank		90		87
		90		87
<b>EQUITY AND LIABILITIES</b>				
Capital		10		10
<b>Income Account</b>				
Balance as at 1 <sup>st</sup> January	49		73	
Add: Interest for the year	3		4	
Less : Prize Fund	-		(28)	
Balance as at 31st December		52		49
Creditors - CA Sri Lanka		28		28
		90		87

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