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PART I : SECTION (I) — GENERAL
Government Notifications

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRILANKA

Financial Statements for the year ended 31st December 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of the Institute of Chartered Accountants of Sri Lanka

Report on the audit of the financial statements

Opinion

I have audited the accompanying financial statements of The Institute of Chartered Accountants of Sri Lanka, (the institute), which comprise the statement of financial position as at 31st December, 2021, 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 31st December, 2021.

In my opinion, So far as appears from my examination, 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 31st December 2021, 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

We conducted our 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 do 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 we 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 who 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 scepticism 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 prove a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, or fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal controls 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 controls.

- 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.

Other Matter

The Financial Statements of the institute for the year ended 31st December, 2020 were audited by another auditor who expressed an unmodified opinion on those financial Statements.

Report on other Legal and Regulatory Requirements

I communicate with those who 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 controls that, I identify during my audit.

Ms. M. K. K. KARUNARATNE,
Chartered Accountant.

Colombo.
24th March, 2022.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA
Statement of Financial Position

As at 31 December			2021	2020
	Note	Page No.	Rs.'000	Rs.'000
Assets				
Non-current assets				
Property, plant and equipment	3	22	1,265,707	1,132,764
Intangible assets	4	23	52,389	79,352
Library books	5	23	669	843
Loans and advances to staff	6	24	11,085	13,330
Total non-current assets			1,329,850	1,226,289
Current assets				
Inventories	7	24	32,368	37,856
Receivables	8	24	217,433	147,050
Loans and advances to staff	6	24	6,609	7,925
Financial assets at amortised cost	9	25	1,522,083	1,368,529
Cash and cash equivalents	10	25	71,244	86,730
Total current assets			1,849,737	1,648,090
Total assets			3,179,587	2,874,379
Funds and liabilities				
Accumulated fund and reserves				
Accumulated fund			1,801,906	1,616,699
Government grant			699,000	699,000
OCI reserve			6,490	2,145
Total accumulated fund and reserves			2,507,396	2,317,844
Funds and grants				
Designated funds	11	26	90,677	77,724
Restricted funds and grants	12	27	20,336	19,591
Endowment funds	13	28	1,777	2,299
Total funds and grants			112,790	99,614
Non-current liabilities				
Retirement benefit obligation	14	29	25,974	36,027
Lease liability	15	30	78,661	-
Total non-current liabilities			104,635	36,027

As at 31 December			2021	2020
	Note	Page No.	Rs.'000	Rs.'000
Current Liabilities/ Payables and advances	16	30	378,930	367,217
Lease liability	15	30	24,015	-
Income tax payable	17	30	5,551	(3,884)
Deferred income			45,413	57,061
Bank overdrafts	10	25	857	500
Total current liabilities			454,766	420,894
Total liabilities			559,401	456,921
Total funds and liabilities			3,179,587	2,874,379

The accounting policies and notes on pages 10 to 47 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.

Sgd.
Lathika Wijayawardana
Head of Finance

Sgd.
Dulani Fernando
Chief Executive Officer

Signed for and on behalf of the Council.

Sgd.
Sanjaya Bandara
President

Sgd.
Heshana Kuruppu
Vice President

Colombo.
24th March, 2022.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Statement of Comprehensive Income

For the Year Ended 31 December			2021	2020
	Note	Page No.	Rs.'000	Rs.'000
Income	18	31	852,599	603,189
Expenditure	18	31	(298,338)	(200,268)
Net income before employee costs and operating expenses			554,261	402,921
Other income				
Other operating income	19	32	1,481	1,456
Operating income			555,742	404,377
Operating expenses				
Employee costs	20	32	(253,140)	(227,990)
Maintenance of premises	21	32	(30,227)	(30,158)
Depreciation and amortisation	22	32	(86,557)	(73,646)
Other expenses	23	33	(41,466)	(41,407)
Total operating expenses			(411,390)	(373,201)
Net operating income			144,352	31,176
Income from grants and other restricted funds	12.1	27	5,089	4,000
Contribution to designated funds	11.1	26	(23,779)	(31,102)
Transfers to restricted funds and grants	12.1	27	(917)	(1,472)
Contribution to endowment funds	13	28	(116)	(206)
			(19,723)	(28,780)
Finance income	24.1	33	89,095	123,839
Finance cost	24.2	33	(5,437)	-
Income over expenditure for the year before tax			208,287	126,235

For the Year Ended 31 December			2021	2020
	Note	Page No.	Rs.'000	Rs.'000
Income tax expense	25	33	(23,080)	(17,287)
Income over expenditure for the year after tax			185,207	108,948
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain/ (loss) on defined benefit obligation	14.1	29	4,345	(1,521)
Total comprehensive income for the year after tax			189,552	107,427

The accounting policies and notes on pages 10 to 47 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 31 December 2021

	Accumulated fund Rs.'000	Government grant Rs.'000	OCI reserve Rs.'000	Total Rs.'000
Balance as at 1st January 2020	1,507,751	699,000	3,666	2,210,417
Income over expenditure for the year after tax	108,948	-	-	108,948
Actuarial loss on defined benefit obligation	-	-	(1,521)	(1,521)
Balance as at 31 December 2020	1,616,699	699,000	2,145	2,317,844
Balance as at 1st January 2021	1,616,699	699,000	2,145	2,317,844
Income over expenditure for the year after tax	185,207	-	-	185,207
Actuarial gain on defined benefit obligation	-	-	4,345	4,345
Balance as at 31 December 2021	1,801,906	699,000	6,490	2,507,396

Government grant received from the Democratic Socialist Republic of Sri Lanka further explained in note 3.1.

The accounting policies and notes on pages 10 to 47 form an integral part of these financial statements.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Statement of Cash Flows

For the year ended 31 December

	Note	Page No.	2021 Rs.'000	2020 Rs.'000
Cash flows from operating activities				
Income over expenditure for the year before tax			208,287	126,235
Adjustments for;				
Depreciation and amortisation	22	32	87,381	74,406
Reimbursements and amortisation of restricted funds and grants	12.1	27	(5,089)	(4,000)
Contribution to designated funds	11.1	26	23,779	31,102
Transfers to restricted funds and grants	12.1	27	917	1,472
Contribution to endowment funds	13	28	116	206
Provision for defined benefit plan	14.1	29	4,562	6,541
Profit on disposal of property, plant and equipment	19	32	-	(251)
Amortisation of prepaid staff cost	20	32	1,880	1,958
Finance income	24.1	33	(89,095)	(123,839)
Finance cost	24.2	33	5,437	-
Operating income over expenditure before working capital changes			238,175	113,830
(Increase) / decrease in inventory	7	24	5,488	(22,812)
Increase in receivables	8	24	(70,383)	(37,720)
(Increase) / decrease in loans and advances to staff	6	24	3,561	(6,656)
Increase / (decrease) in payables and advances	16	30	11,713	(34,868)
Increase / (decrease) in deferred income			(11,648)	22,635
Cash generated from operations			176,906	34,409
Tax paid	17	30	(13,645)	(12,403)
Gratuity paid	14	29	(10,270)	(2,534)
Rent paid			(9,134)	-
Net cash inflow from operating activities			143,857	19,472

	Note	Page No.	2021 Rs.'000	2020 Rs.'000
For the year ended 31 December				
Cash flows from/ (used in) investing activities				
Acquisition of property, plant and equipment and library books	3,5	22, 23	(75,926)	(34,286)
Acquisition of intangible assets	4	23	(10,888)	(13,801)
Investments in financial assets at amortised cost			(3,466,952)	(2,046,633)
Maturity proceeds received from financial assets at amortised cost			3,305,421	1,912,236
Proceeds on disposal of property, plant and equipment			-	251
Finance income received			95,193	146,082
Net cash flow used in investing activities			(153,153)	(36,152)
Cash flows from / (used in) financing activities				
Donations received to designated funds	11.1	26	2,641	20
Receipts to restricted funds and grants	12.1	27	5,702	4,579
Donations received to endowment funds	13	28	-	38
Payments made from designated funds	11.1	26	(13,467)	(11,178)
Payments made from restricted funds	12.1	27	(785)	(890)
Payments made from endowment funds	13	28	(638)	(145)
Net cash flow used in financing activities			(6,547)	(7,576)
Net decrease in cash and cash equivalents			(15,843)	(24,256)
Cash and cash equivalents at the beginning of the year			86,230	110,486
Cash and cash equivalents at the end of the year	10	25	70,387	86,230

The accounting policies and notes on pages 10 to 47 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 07.

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 enroll, 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 organize, 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

The Council of the Institute has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue its operations in the foreseeable future. Furthermore, the council is not aware of any material uncertainties that may cast a significant doubt upon the ability of the Institute to continue as a going concern. The Council has assessed the existing and anticipated effects of COVID-19 on its operations and has taken all possible measures to mitigate the effects of COVID 19 and reduced the impact to its operations. While adhering to the health regulations issued by the government, the Institute was able to convert most of its activities such as Examinations, National conference, seminars/ workshops and other short courses to virtual/hybrid platforms to strengthen its ability to continue providing services to ensure operation is continued as least impacted as possible.

1.4 Financial Period

The financial period of the Institute represents a twelve - months period from 1st January 2021 to 31st December 2021.

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. 10 mn 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 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 were approved and authorised for issue by the Council at the meeting held on 24th March 2022.

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 Judgements

The preparation and presentation of financial statements, in conformity with Sri Lanka Accounting Standards, requires Management to make judgements, 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 judgements 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 judgements 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) Estimating the Incremental Borrowing Rate

As the Institute cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure the lease liabilities. IBR is rate of interest that a lessee would have to pay to borrow similar facilities from a financial institution.

d) Changes in Accounting Estimates and Judgements

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:

Asset Category	Useful Life (Years)
Buildings	50
Furniture	5- 10
Plant and Machinery	5-10
Motor vehicles	10
Computers	5

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) Right of Use Assets and Lease Liabilities

The Institute recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The estimated useful lives of right of use assets are as follows;

Asset Category	Useful Life (Years)
Right of use asset	5
Improvements to Right of use asset	5

Depreciation of improvement to right of use asset is calculated based on the remaining lease period.

At the commencement date of the lease the Institute recognises lease liability measured at the present value of the lease payments to be made over the lease term, the lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Institute and payments of penalties for terminating the lease, if the lease term reflects the Institute exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Institute uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The Institute uses its incremental borrowing rate as the discount rate. The Institute determines its incremental borrowing rate by obtaining interest rates from the Institute's internal records. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(d) 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 capitalized on the basis of the costs incurred to acquire and bring to use. These costs are amortised over their estimated useful life of five to ten (5-10) 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 recognized as intangible assets are amortised over their estimated useful lives, which do not exceed ten (10) 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 on "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1st 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 recognizes 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 recognizes 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 amortized cost.

Prior to 01st 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 2021.

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".

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 take place over a period of several months. Deferred income is recognized in the statement of comprehensive income to the extent of course delivery taken place and the balance attributable to the remaining course period is recognized as a liability on the statement of financial position until income is recognized.

2.2.2. Provisions

A provision is recognized 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 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 31 December 2021. 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 recognized 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. Realized and unrealized exchange differences are reported in the statement of comprehensive income.

2.3 Accounting for the Receipt and Utilization 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

Name of the Designated Fund	Purpose
Needy Students' Scholarship Fund	
L. A. Weerasinghe Memorial Needy Scholarship Fund	Help deserving and promising CA Sri Lanka students
Merit Scholarship Funds	
<ul style="list-style-type: none"> ❖ General Fund ❖ CA Sri Lanka Scholarship Funds <ul style="list-style-type: none"> • District 1st Scholarship Fund • A/L Top 10 Scholarship Fund • Children of staff members' Scholarship Fund • Inter-school Commerce competition Scholarship Fund • National Conference Scholarship Fund • CA Talent Scholarship Fund • Top achievers at A/L tutorial Scholarship Fund • Non-commerce Student Scholarship Funds 	Help deserving and promising students who have shown exceptional performance at CA Sri Lanka examinations and undergoing Business level training.
Other Funds	
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
New Technological Development Fund	New developments and technological areas, researches and simulation of the newly developed tools in order to obtain real life experience for CA students.
Needy Members Medical Expenses Fund	Medical assistance of needy members

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. Unutilized 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 recognized 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
Needy Students' Scholarship Funds	
❖ CA Sri Lanka UK Members' Scholarship Fund	
❖ Dalton Wijeyeratne Memorial Scholarship Fund	
❖ Prof. Y.A.D.S. Samaratunga Memorial Fund	
❖ Prof. Kodagoda Memorial Fund	
❖ Members' Scholarship Fund	Help deserving and promising students to realize their future ambition of becoming a Chartered Accountant
❖ Price waterhouse Coopers 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 is the administrator of the scholarships granted to Audit trainees
❖ Miss. Inoka Gunaratne Memorial Fund	Help deserving and promising students
Grants	
Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) Grant	Promulgating accounting and auditing standards

Other Restricted Funds	
Best Annual Report Competition Fund	
<ul style="list-style-type: none"> ❖ Deshabandu Albert Page ❖ Late Mr. Cyril Gardiner ❖ Hayleys PLC 	<p>To encourage excellence in the presentation of information in annual reports. Awards are presented to the winners annually.</p> <p>Categories under which the awards are presented are as follows;</p> <ul style="list-style-type: none"> • Overall and Sector Awards (Gold, Silver, Bronze) • Corporate Governance Disclosure Award (Gold, Silver, Bronze) • Corporate Social Responsibility Reporting Award (Gold, Silver, Bronze) • Management Commentary Award • Integrated Reporting Award (Gold, Silver, Bronze) • Integrated Reporting - Special Award : Best disclosure on business model and capital management

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 recognized and used as income.

Investment income and other gains realized 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
Prize Funds	
<ul style="list-style-type: none"> • CA Sri Lanka President's Fund • B R De Silva Memorial Fund • A D B Talwatte Fund • Satchithananda Memorial Fund • Kreston MNS Fund • Nivard Cabraal Fund • Reyaz Mihular Fund • D R Settinayake Memorial Fund • A D E De S Wijeyeratne Memorial Fund • Mohan Abeynaike Fund • KPMG Fund • Ernst & Young Fund • SJMS Associates Fund • Sunil Piyawardena & Co. Fund • Lal Nanayakkara & Co. Fund • G C B Wijeyesinghe Memorial Fund • Nihal Hettiarachchi Fund • Jayaweera & Co. Fund • Brito Mutunayagam Memorial Fund • Price water house Coopers Fund • K G H De Silva Prize Fund • BDO Partners Prize Fund 	<p>Awarding subject prizes and merit prizes for the best performance of each examination.</p>

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*". 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 upon satisfaction of performance obligations as per SLFRS 15 :

	Revenue Source	Recognition of Revenue
01.	Enrolments	Fees received in connection with enrolments to CA, Degree, or another program as a student; CBA, CCA, 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 deferred income 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 agreements 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 :

No.	Source of Other Income	Applicable Accounting Standards / Interpretations	Accounting Treatment
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 recognized 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.

(d) 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 an 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 10.

2.6 Capital Commitments and Contingencies

Contingencies are possible assets or obligation that arise from past events 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 Amendments to Accounting Standards issued but not yet effective

The amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Institute's financial statements are disclosed below:

- Annual Improvements to SLFRS 2020
 - o Amendment to SLFRS 1 First-time Adoption of International Financial Reporting Standards
 - o Amendment to SLFRS 9 Financial Instruments
 - o Amendment to IAS 41 Agriculture
- Amendments to LKAS 16 Property, Plant and Equipment
- Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Amendments to SLFRS 3 Business Combinations

The amendments applies to annual reporting periods beginning on or after 01 January 2022.

Note 3 - Property, plant and equipment

Cost

	Land Rs.'000	Buildings Rs.'000	Right of use asset Rs.'000	Improvements to right of use asset Rs.'000	Furniture Rs.'000	Plant and machinery Rs.'000	Motor vehicles Rs.'000	Computers, Servers & IT Equipment Rs.'000	Total Rs.'000
Balance as at 1 January 2020	699,000	507,569	-	-	98,914	136,118	12,282	60,512	1,514,395
Additions	-	-	-	-	248	7,095	-	26,223	33,566
Disposals	-	-	-	-	(1,959)	-	-	(10,171)	(12,130)
Balance as at 31 December 2020	699,000	507,569	-	-	97,203	143,213	12,282	76,564	1,535,831
Additions	-	-	106,373	36,849	13,596	8,091	-	16,740	181,649
Balance as at 31 December 2021	699,000	507,569	106,373	36,849	110,799	151,304	12,282	93,304	1,717,480

**Accumulated
depreciation**

	Land Rs.'000	Buildings Rs.'000	Right of use asset Rs.'000	Improvements to right of use asset Rs.'000	Furniture Rs.'000	Plant and machinery Rs.'000	Motor vehicles Rs.'000	Computers, Servers & IT Equipment Rs.'000	Total Rs.'000
Balance as at 1 January 2020	-	132,635	-	-	67,295	112,403	12,199	54,712	379,244
Depreciation charge for the year	-	17,541	-	-	7,688	7,350	16	3,358	35,953
Disposals	-	-	-	-	(1,959)	-	-	(10,171)	(12,130)
Balance as at 31 December 2020	-	150,176	-	-	73,024	119,753	12,215	47,899	403,067
Depreciation charge for the year	-	14,947	14,183	695	5,803	6,304	16	6,758	48,706
Balance as at 31 December 2021	-	165,123	14,183	695	78,827	126,057	12,231	54,657	451,773

**Carrying
amounts**

As at 31 December 2021	699,000	342,446	92,190	36,154	31,972	25,247	51	38,647	1,265,707
As at 31 December 2020	699,000	357,393	-	-	24,179	23,460	67	28,665	1,132,764

- 3.1** The land on which the Institute's buildings are situated is a conditional government grant to the Institute. 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 17 March 2017, at a value of Rs. 699Mn.

As per schedule 2 and schedule 3 of the Presidential grant No. 4/10/22311 dated 17 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.

3.2 Fully depreciated property, plant and equipment

As at 31 December	2021 Rs.'000	2020 Rs.'000
Buildings	16,938	16,938
Furniture	20,571	20,281
Plant and machinery	86,110	80,094
Motor vehicles	12,121	12,121
Computers, Servers and IT equipment	44,345	43,351
Total	180,085	172,785

3.3 Impairment of property, plant and equipment

The Management has assessed the potential impairment loss of property, plant and equipment as at 31 December 2021. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

3.4 Property, plant and equipment pledged as security

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

Note 4 - Intangible assets

Cost

	Software Rs.'000	Software licences Rs.'000	Study material development Rs.'000	Work-in- progress projects Rs.'000	Total Rs.'000
Balance as at 1 January 2020	24,411	5,000	180,246	12,530	222,187
Additions	1,076	4,406	-	8,319	13,801
Balance as at 31 December 2020	25,487	9,406	180,246	20,849	235,988
Additions	931	-	-	9,957	10,888
Capitalised during the year	23,945	-	-	(23,945)	-
Balance as at 31 December 2021	50,363	9,406	180,246	6,861	246,876

Amortisation

	Software Rs.'000	Software licences Rs.'000	Study material development Rs.'000	Work-in- progress - projects Rs.'000	Total Rs.'000
Balance as at 1 January 2020	20,796	4,445	93,702	-	118,943
Amortisation for the year	1,412	1,046	35,235	-	37,693
Balance as at 31 December 2020	22,208	5,491	128,937	-	156,636
Amortisation for the year	3,413	1,640	32,798	-	37,851
Balance as at 31 December 2021	25,621	7,131	161,735	-	194,487

Carrying amounts

As at 31 December 2021	24,742	2,275	18,511	6,861	52,389
As at 31 December 2020	3,279	3,915	51,309	20,849	79,352

4.1 Impairment of intangible assets

The Management has assessed the potential impairment loss of intangible assets as at 31 December 2021. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of intangible assets.

4.2 Intangible assets pledged as security

There were no items of intangible assets pledged as securities for liabilities as at the reporting date.

4.3 Title restriction on intangible assets

There are no restrictions that existed on the title of the intangible assets of the Institute as at the reporting date.

5 - Library books

As at 31 December	2021 Rs.'000	2020 Rs.'000
Balance at the beginning of the year	843	883
Additions	650	720
Depreciation	(824)	(760)
Balance at the end of the year	669	843

6 - Loans and advances to staff

As at 31 December	2021 Rs.'000	2020 Rs.'000
Receivable within one year	6,609	7,925
Receivable after one year	11,085	13,330
Total	17,694	21,255

7 - Inventories

As at 31 December	2021 Rs.'000	2020 Rs.'000
Study packs and study materials	15,689	21,892
Publications	9,462	8,318
Stationery, consumables and others	7,217	7,646
Total	32,368	37,856

8 - Receivables

As at 31 December	2021 Rs.'000	2020 Rs.'000
Receivables	200,222	135,921
Less: Provisions	(13,506)	(12,967)
Deposits and prepayments	20,853	17,445
Prepaid staff cost	1,885	2,647
Advances	7,979	4,004
Total	217,433	147,050

9 - Financial assets at amortised cost

As at 31 December	2021 Rs.'000	2020 Rs.'000
Maturity within one year - Fixed Deposits	1,522,083	1,294,270
- Bonds	-	74,259
Total	1,522,083	1,368,529

Investments in FDs include Rs.25mn designated for the Audit Quality Assurance Fund, Rs.100mn designated for the New Technology Development Fund, Rs.60mn designated for the Non Commerce Students Scholarship Fund, Rs. 10mn designated for the Needy Members Medical Expenses Fund and Rs.15mn designated for the Children of Staff Members Scholarship Fund.

Fixed deposits and treasury bonds have been made in state owned banks with a credit rating of AA+.

9.1 Impairment of financial assets

Impairment of expected credit loss is immaterial.

9.2 Refer Note 31 in page 36 for Risk management disclosures and maturity analysis of the financial assets

10 - Cash and cash equivalents

As at 31 December	2021 Rs.'000	2020 Rs.'000
<u>Favourable balances</u>		
Treasury bill repurchase agreements	48,000	55,000
Cash at banks	23,143	31,629
Cash in hand	101	101
Total	71,244	86,730
<u>Unfavourable balances</u>		
Bank overdrafts	(857)	(500)
Total cash and cash equivalents for the purpose of statement of cash flows	70,387	86,230

11 - Designated funds		Balance as at 1.1.2021		Contribution from the Institute		Donations / Receipts		(Payments)		Balance as at 31.12.2021		Balance as at 31.12.2020	
11.1 Summary		Rs.'000		Rs.'000		Rs.'000		Rs.'000		Rs.'000		Rs.'000	
Designated scholarship funds		42,980		16,400		2,641		(11,137)		50,884		42,980	
Other designated funds		34,744		7,379		-		(2,330)		39,793		34,744	
Total designated funds		77,724		23,779		2,641		(13,467)		90,677		77,724	
11.2 Designated scholarship funds		Balance as at 1.1.2021		Contribution from the Institute		Donations / Receipts		(Payments)		Balance as at 31.12.2021		Balance as at 31.12.2020	
		Rs.'000		Rs.'000		Rs.'000		Rs.'000		Rs.'000		Rs.'000	
L A Weerasinghe memorial needy scholarship fund		5,496		1,215		565		(3,423)		3,853		5,496	
Merit scholarship fund		661		4,049		788		(4,015)		1,483		661	
CA Sri Lanka scholarship funds *		25,575		7,903		1,288		(3,699)		31,067		25,575	
Non- commerce student scholarship fund **		11,248		3,233		-		-		14,481		11,248	
Total designated scholarship funds		42,980		16,400		2,641		(11,137)		50,884		42,980	

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

** Non commerce student scholarship Fund was formed by designating an investment in Fixed Deposit amounting to Rs. 60 mn, of which the interest income is transferrable to the fund every year. During the year 2021 interest amounting to Rs. 3,233,460/- has been transferred to Non commerce student scholarship Fund.

	Balance as at 1.1.2021	Contribution from the Institute	Donations Received	(Payments)	Balance as at 31.12.2021	Balance as at 31.12.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
11.3 Other designated funds						
Faculty of Taxation fund	892	42	-	-	934	892
Faculty of Auditing fund	860	40	-	-	900	860
Publication fund	558	26	-	-	584	558
Urgent Issues Task Force fund	611	28	-	-	639	611
Audit quality assurance fund *	12,253	1,340	-	-	13,593	12,253
New technology developments fund **	17,695	5,369	-	(199)	22,865	17,695
Needy members' medical expenses fund ***	1,875	534	-	(2,131)	278	1,875
Total other designated funds	34,744	7,379	-	(2,330)	39,793	34,744

* 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. 1 July 2016. During the year 2021 interest amounting to Rs. 1,339,548/- has been transferred to Audit Quality Assurance Fund.

** New Technology Development Fund was formed by designating an investment in Fixed Deposit amounting to Rs. 100mn, of which the interest income is transferrable to the fund every year. During the year 2021 interest amounting to Rs. 5,368,535/- has been transferred to New Technology Development Fund.

*** Needy Members Medical Expenses Fund was formed by designating an investment in Fixed Deposit amounting to Rs. 10 mn, of which the interest income is transferrable to the fund every year. During the year 2021 interest amounting to Rs. 534,377/- has been transferred to Needy Members Medical Expenses Fund.

12 - Restricted funds and grants

12.1 Summary

	Balance as at 1.1.2021	Transfers to funds	Grants/ Donations received	(Reimbursements & Amortisation)	(Payments)	Balance as at 31.12.2021	Balance as at 31.12.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Grants	46	-	4,000	(4,000)	-	46	46
Other restricted funds	10,427	482	640	(1,089)	-	10,460	10,427
Restricted scholarship funds	9,118	435	1,062	-	(785)	9,830	9,118
Total restricted funds and grants	19,591	917	5,702	(5,089)	(785)	20,336	19,591

	Balance as at 1.1.2021	Contribution from the Institute	Grants received	(Reimbursements)	(Reversal)	Balance as at 31.12.2021	Balance as at 31.12.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
12.2 Grants							
Ernst & Young SME grant	46	-	-	-	-	46	46
Revenue grants	46	-	-	-	- *	46	46
Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) grant	-	-	4,000	(4,000)	-	-	-
Total grants	46	-	4,000	(4,000)	-	46	46

12.2.1 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).

12.2.2 SLAASMB Grant: During the year Rs. 4mn granted 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.

12.3 Other restricted funds					
	Balance as at 1.1.2021	Contribution from the Institute	Donations received	(Reimburse- ments)	Balance as at 31.12.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Best annual report competition fund (Note 12.3.1)	10,427	482	-	(1,089)	10,427
Mr. Chandra Jayarathne Good Governance Research Fund	-	-	640	-	640
Total other restricted funds	10,427	482	640	(1,089)	10,460
12.3.1 Best annual report competition fund					
	Balance as at 1.1.2021	Contribution from the Institute	Donations received	(Reimburse- ments)	Balance as at 31.12.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deshabandu Albert Page (1992)	1,395	64	-	(146)	1,395
Late Mr. Cyril Gardiner (1992)	8,555	395	-	(893)	8,555
Hayleys PLC (1994)	477	22	-	(50)	477
Total	10,427	482	-	(1,089)	10,427

	Balance as at 1.1.2021		Contribution from the Institute		Donations / Receipts		(Payments)		Balance as at 31.12.2021	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
12.4 Restricted scholarship funds										
CA Sri Lanka UK Members' scholarship fund		54	3	-	-	-	-	57	54	
Prof.Y A D S Samaratunga memorial fund		92	5	28	-	-	-	125	92	
Prof. Kodagoda memorial fund		9	-	22	-	-	-	31	9	
Pricewaterhouse Coopers scholarship fund		62	3	5	-	-	-	70	62	
Ernst & Young scholarship fund		5,233	245	351*	(378)	-	-	5,451	5,233	
Miss. Inoka Gunaratne memorial fund		85	5	-	-	-	-	90	85	
Pelwatta Sugar Industries Ltd. fund		392	18	17	-	-	-	427	392	
Members' scholarship fund		966	58	592	(60)	-	-	1,556	966	
Dalton Wijeyeratne memorial scholarship fund		12	-	-	-	-	-	12	12	
Mr. Sanjaya Bandara scholarship fund		434	16	39	(275)	-	-	214	434	
Mr. Chandradasa Liyanage scholarship fund		345	17	8	-	-	-	370	345	
A.L.B.Brito Mutunayagam memorial scholarship fund		111	5	-	(23)	-	-	93	111	
CA Qatar Chapter Scholarship fund		1,323	60	-	(49)	-	-	1,334	1,323	
Total restricted scholarship funds		9,118	435	1,062	(785)			9,830	9,118	
* Includes 305,000/- paid to Mr. Manil Jayasinghe by the Institute for the Services rendered by him.										
13 - Endowment Funds										
	Balance as at 1.1.2021		Contribution from the Institute		Donations received		Transfers		(Payments)	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Capital balances - prize funds	1,392	-	-	-	-	-	-	1,392	1,392	
Income balances - prize funds	907	116	-	-	-	(638)	-	385	907	
Total endowment funds	2,299	116	-	-	-	(638)	-	1,777	2,299	

The Institute of Chartered Accountants of Sri Lanka
Notes to the Financial Statements (Contd.)

14 - Retirement benefit obligation

As at 31 December		2021	2020
	Note	Rs.'000	Rs.'000
Balance at the beginning of the year		36,027	30,499
Provision made during the year	14.1	217	8,062
Payments made during the year		(10,270)	(2,534)
Balance at the end of the year		25,974	36,027
14.1 - Provision made during the year			
Past Service Cost		(1,415)	-
Interest cost		2,882	2,592
Current service cost		3,095	3,949
		4,562	6,541
Net actuarial (gain)/loss recognised		(4,345)	1,521
Total provision made during the year		217	8,062

Under the Gratuity Act, No.12 of 1983, gratuity liability arises only upon an employee completing a continuous service of five years.

14.2 Principal actuarial assumptions used

Actuarial and Management Consultants (Pvt) Ltd., qualified actuaries carried out an actuarial valuation on the defined benefit plan-gratuity as at 31 December 2021. The assumptions used in determining the cost of retirement benefits are as follows.

Assumption	2021	2020
Discount interest rate	11.3% per annum	8% per annum
Staff turnover rate	13% per annum	11% per annum
Salary increment rate	7.0%	7.0%
Retirement age	60 years	55 years

14.3 Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in the retirement benefit obligation measurement.

As at 31 December	2021	2020
	Increase / (decrease) of defined benefit obligation Rs. '000	Increase / (decrease) of defined benefit obligation Rs. '000
Sensitivity analysis to discount rate		
1% increase in discount rate	(1,215)	(1,668)
1% decrease in discount rate	1,332	1,863

As at 31 December	2021	2020
	Increase / (decrease) of defined benefit obligation Rs. '000	Increase / (decrease) of defined benefit obligation Rs. '000
Sensitivity analysis to salary escalation rate		
1% increase in salary escalation rate	1,429	2,021
1% decrease in salary escalation rate	(1,322)	(1,863)

14.4 Maturity Profile of the defined benefit obligation

Future working life time As at 31 December	Defined benefit obligation	
	2021 Rs.'000	2020 Rs.'000
Within next 12 months	3,702	7,493
Between 1 to 5 years	10,617	14,866
Between 5 to 10 years	8,155	8,007
Beyond 10 years	3,500	5,661
Total	25,974	36,027

Weighted Average duration of Defined Benefit Obligation is 5.42 years (2020 - 5.26 years)

15 - Lease liability

As at 31 December	2021 Rs.'000	2020 Rs.'000
Payable within one year	24,015	-
Payable after one year	78,661	-
Total	102,676	-

16 - Payables and advances

As at 31 December	2021 Rs.'000	2020 Rs.'000
Accrued charges	119,352	103,115
Payables	44,116	12,750
Refundable deposits	50	50
Advances	215,412	251,302
Total	378,930	367,217

17 - Income tax payable

As at 31 December		2021	2020
	Note	Rs.'000	Rs.'000
Balance brought forward		(2,926)	(7,810)
Charge for the year	25	12,431	17,287
Total payable		9,505	9,477
Tax paid during the year		(13,645)	(12,403)
Under provision for previous years		10,649	-
Income tax payable		6,509	(2,926)
Income tax receivable		(958)	(958)
Net income tax payable		5,551	(3,884)

For the year ended 31 December	2021		2020			
Note 18 - Income and expenditure (Excluding employee costs)						
Performance by activity	Income Rs.'000	(Expenditure) Rs.'000	Net Income/ (Expenditure) Rs.'000	Income Rs.'000	(Expenditure) Rs.'000	Net Income/ (Expenditure) Rs.'000
Learning and professional development	652,868	(227,568)	425,300	478,014	(161,786)	316,228
Continuous professional development and member related activities	162,164	(43,273)	118,891	117,156	(30,702)	86,454
Financial reporting and assurance standards related activities	30,750	(26,339)	4,411	6,732	(6,466)	266
Library-related activities	17	(1,158)	(1,141)	326	(1,314)	(988)
Net sponsorship income	6,800	-	6,800	961	-	961
Total	852,599	(298,338)	554,261	603,189	(200,268)	402,921
Analysis by divisions						
Examinations	192,006	(96,883)	95,123	85,003	(48,097)	36,906
Registration, Education, Training, Library and Marketing	202,822	(43,236)	159,586	198,228	(58,156)	140,072
IT Training and Language Centre	36,229	(7,872)	28,357	19,970	(5,824)	14,146
Members' activities	195,077	(60,770)	134,307	122,698	(29,494)	93,204
Business school	35,964	(9,658)	26,306	25,875	(7,096)	18,779
Taxation faculty	19,726	(7,399)	12,327	18,370	(5,847)	12,523
SAB Campus	162,153	(63,512)	98,641	126,405	(37,686)	88,719
Technical research	8,622	(9,008)	(386)	6,640	(8,068)	(1,428)
Total	852,599	(298,338)	554,261	603,189	(200,268)	402,921

19 - Other operating income		
For the year ended 31 December	2021	2020
	Rs.'000	Rs.'000
Income from hire of halls	(50)	(7)
Profit on sale of publications	265	123
Gain on disposal of property, plant and equipment	-	251
Miscellaneous income	1,266	1,089
Total other operating income	1,481	1,456
20 - Employee costs		
For the year ended 31 December	2021	2020
	Rs.'000	Rs.'000
Salaries and wages	197,272	184,525
Defined contribution plan cost		
- Employees' Provident Fund	23,380	22,452
- Employees' Trust Fund	4,676	4,490
Other staff related cost	21,370	8,024
Amortisation of pre-paid staff cost	1,880	1,958
Defined benefit plan cost	4,562	6,541
Total employee costs	253,140	227,990
21 -Maintenance of premises		
For the year ended 31 December	2021	2020
	Rs.'000	Rs.'000
Utilities	7,885	10,467
Maintenance of building	17,120	15,347
Maintenance of equipment	5,222	4,344
Total maintenance of premises	30,227	30,158
22 - Depreciation and amortisation		
For the year ended 31 December	2021	2020
	Rs.'000	Rs.'000
Depreciation for the year	48,706	35,953
Depreciation of library books	824	760
Amortisation of intangible assets	37,851	37,693
	87,381	74,406
Depreciation charged to expenditure on learning and professional development	(824)	(760)
Total depreciation and amortisation	86,557	73,646

23 - Other expenses		
For the year ended 31 December	2021	2020
	Rs.'000	Rs.'000
Legal and Professional fees	6,729	4,919
Auditors' remuneration	413	360
Bank charges and commissions	11,039	7,660
General expenses	23,285	28,468
Total other expenses	41,466	41,407
24 - Net finance income		
24.1 Finance income		
For the year ended 31 December	2021	2020
	Rs.'000	Rs.'000
Interest income from,		
Government securities	6,754	11,126
Fixed deposits	79,633	110,030
Staff loans	2,708	2,683
Total finance income	89,095	123,839
24.2 Finance cost		
Interest on lease liability	(5,437)	-
Total finance cost	(5,437)	-
Net finance income	83,658	123,839
25 - Income tax expense		
Reconciliation between current tax expenses and the accounting income over expenditure;		
For the year ended 31 December	2021	2020
	Rs.'000	Rs.'000
Income over expenditure for the year before tax	208,287	126,235
Net income not liable for income tax	(119,497)	(2,756)
Income liable for tax	88,790	123,479
Taxation	12,431	17,287
Under provision for previous years	10,649	-
Charge for the year	23,080	17,287

Tax liability for the year 2021 is computed at the rate of 14%.

26 - 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.

27 - Commitments		
As at 31 December	2021 Rs.'000	2020 Rs.'000
Capital Commitments		
Authorised but not contracted		
Intangible assets	100,000	100,000
Total	100,000	100,000

Capital commitments represent the Rs.100 mn approved by the council for ERP Project.

Bank Guarantees

The following bank guarantees have been provided as at 31st December 2021:

- 1 The Institute has provided a bank guarantee amounting to Rs. 16.32mn through Bank of Ceylon to the Tax Appeals Commission for 11 VAT assessments for the period commencing from 01st April, 2012 to 31st December, 2014.
- 2 A bank guarantee amounting to Rs. 24.83mn has been provided by the Institute to the Tax Appeals Commission through Bank of Ceylon for 23 NBT assessments for the period commencing from 01st July, 2009 to 31st December, 2014.
- 3 The Institute has provided another bank guarantee amounting to Rs. 1.1mn through Bank of Ceylon to the Tax Appeals Commission for 9 ESC assessments for the period commencing on 01st April, 2009 to 31st March, 2012.

Note 28 - Contingent liabilities

The Institute has received assessments in respect of Value Added Tax (VAT) for the period commencing from 01st April, 2012 to 31st December, 2014 which amounted to Rs. 61mn and Nation Building Tax (NBT) for the period commencing from 01st July, 2009 to 31st December, 2014 amounted to Rs. 100mn 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 31st March, 2012 amounted to Rs. 4.5mn. The Institute has appealed to the Tax Appeals Commission against all the determinations of the Commissioner general Which are yet to be taken by the tax Appeals Commission for hearing.

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

29 - 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		2021	2020
Name	Transactions	Rs.'000	Rs.'000
Mr. S. M. S. S. Bandara	Educational activities	-	74
Mr. Manil Jayasinghe *	Technical activities	305	330
Mr. Ashane Jayasekara	Educational activities	312	266
	Technical activities	135	125

* An amount of Rs.305,000/- earned by Mr. Manil Jayasinghe for the services rendered to the Institute had been returned and credited to the Ernst & Young scholarship fund at the request of Mr. Manil Jayasinghe.

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

For the year ended 31st December		2021	2020
		Rs.'000	Rs.'000
Payments to AAT			
Advertisement in organizer		30	-
Sponsorships		-	250
Receipts from AAT			
Registration and tickets for Annual Report		172	-
Awards Competition			
Renewal of Training Organization		28	-
Payable to AAT			
Advertisement in organizer		-	30

31 - Financial risk management

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



31.1. 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.

31.1.1 Maximum exposure to credit risk

The maximum risk exposure of financial assets which are generally subject to credit risk are equal to their carrying amounts.

Carrying Value as at 31st December	2021 Rs.'000	2020 Rs.'000
Fixed deposits	1,522,083	1,294,270
Treasury bonds	-	74,259
Loans and receivables	204,410	144,209
Treasury bill re-purchase agreements	48,000	55,000
Maximum exposure to credit risk	1,774,493	1,567,738

31.1.2 Risk response to credit risk

To minimise the credit risk fixed deposits are held with state owned banking institutions.

Carrying Value as at 31 December	2021 Rs.'000	2020 Rs.'000
Government securities and related institutions		
Treasury Bonds	-	74,259
Reverse repurchase agreements	48,000	55,000
Fixed deposits	1,522,083	1,294,270
Others		
Loans and receivables	204,410	144,209
Maximum exposure to credit risk	1,774,493	1,567,738

31.2. Liquidity risk

Liquidity risk is the risk that the Institute may not have sufficient liquid funds to meet its obligations when they fall due.

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

Description	On Demand	Less than 3 months	3 to 12 months	2 to 3 years	More than 3 years	Total
Financial assets						
Receivables	34,210	152,506	-	-	-	186,716
Loans and advances to staff	-	1,676	4,933	9,186	1,899	17,694
Fixed deposits	-	-	1,522,083	-	-	1,522,083
Cash and cash equivalents	71,244	-	-	-	-	71,244
	105,454	154,182	1,527,016	9,186	1,899	1,797,737
Financial liabilities						
Payables	(44,116)	-	-	-	-	(44,116)
	(44,116)	-	-	-	-	(44,116)
Net financial assets	61,338	154,182	1,527,016	9,186	1,899	1,753,621

31.3. 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. The Institute's market risk exposure is minimal.

F. B. Lander Prize Funds
Statement of Financial Position

AS AT 31 DECEMBER

	2021		2020	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Balance at National Savings Bank		851		822
		<u>851</u>		<u>822</u>
		<u>851</u>		<u>822</u>
Equity and liabilities				
Capital		13		13
Income account				
Balance as at 1st January	809		778	
Add: Interest for the year	<u>29</u>	<u>838</u>	<u>31</u>	<u>809</u>
		<u>851</u>		<u>822</u>

Cyril E. Begbie Memorial Prize Fund
Statement of Financial Position

AS AT 31 DECEMBER

	2021		2020	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Balance at National Savings Bank		35		34
		<u>35</u>		<u>34</u>
		<u>35</u>		<u>34</u>
Equity and liability				
Capital		10		10
Income account				
Balance as at 1st January	24		28	
Add: Interest for the year	<u>1</u>		<u>3</u>	
Less: Prize paid	<u>-</u>		<u>(7)</u>	
Balance as at 31st December		<u>25</u>		<u>24</u>
		<u>35</u>		<u>34</u>

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