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Appendix 1. Useful Internet Sites

1. Regulatory and Standard-Setting Bodies

Central Bank of Sri Lanka	www.lanka.net/centralbank/
Financial Accounting Standards Board (FASB – United States)	www.fasb.org
International Accounting Standards Committee (IASC)	www.iasc.org.uk
International Federation of Accountants (IFAC)	www.ifac.org
Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)	www.slaasmb.org

2. Professional Bodies

Association of Chartered Certified Accountants (ACCA)	www.acca.co.org.uk
Canadian Institute of Chartered Accountants (CICA)	www.cica.ca
Ceylon Chamber of Commerce	www.lanka.net/chamber
Chartered Institute of Management Accountants (CIMA)	www.cima.org.uk
Confederation of Asian and Pacific Accountants (CAPA)	www.capa.com.my
Federation of Chambers of Commerce and Industry of Sri Lanka	www.fccisl.org
Institute of Certified Public Accountants of Singapore	www.acco.org.sg
Institute of Chartered Accountants in England and Wales (ICAEW)	www.icaew.co.uk
Institute of Chartered Accountants of Sri Lanka (ICASL)	www.icasrilanka.com
Institute of Internal Auditors (IIA) (United States)	www.theiia.org

3. International Organizations

Asia Pacific Economic Cooperation (APEC)	www.apecsec.org.sg
Association of Southeast Asian Nations (ASEAN)	www.asean.or.id

International Federation of Accountants
(IFAC) www.ifac.org

International Organization of Securities
Commissions (IOSCO) www.iosco.org

World Trade Organization (WTO) www.wto.org

4. Government Organizations

Board of Investment of Sri Lanka www.boisirilanka.org
Central Bank of Sri Lanka www.lanka.net/centralbank/

Securities and Exchange Commission
(SEC) www.sec.gov.lk

Sri Lanka Accounting and Auditing
Standards Monitoring Board (SLAASMB) www.slaasmb.org

Sri Lankan Government (information) www.lk/Government.html

University Grants Commission www.lk/ugc

5. Accounting Firms

Andersen www.andersen.com
Deloitte Touche Tohmatsu www.deloitteap.com
Ernst & Young www.ey.com
KPMG www.kpmg.com
PricewaterhouseCoopers www.pwcglobal.com

6. Financial Institutions

Banks and Financial Institutions

Bank of Ceylon www.lanka.net/boc
Commercial Bank www.combank.net

Development Finance Corporation of
Ceylon (DFCC) www.dffccbank.com

Hatton National Bank www.hnb.net

Hong Kong & Shanghai Banking
Corporation www.hsbc.lk/lk

Merchant Bank of Sri Lanka Ltd www.lanka.net/mbsl

National Development Bank (NDB) www.lanka.net/ndb/

National Savings Bank www.nsb.lk

Pan Asia Bank www.pabank.lk

People's Bank www.is.lk/is/peoples/

Pramuka Bank www.pramukabank.com

Sampath Bank	www.sampath.lk
Seylan Bank	www.seylan.lk
Standard Chartered Bank	www.standardchartered.com.lk
State Mortgage Bank	www.lanka.net/smib
Union Bank	www.unionb.com
Vanik Incorporation Ltd	www.vanik.lk
<i>Insurance Companies</i>	
Ceylinco Insurance	www.ccom.lk/ceylife/
The Finance Company Ltd	www.ccom.lk/thefinace
<i>Other</i>	
Colombo Stock Exchange	www.lanka.net/stocks

7. Donor Organizations

Asian Development Bank (ADB)	www.adb.org
International Monetary Fund (IMF)	www.imf.org
Japan Bank for International Cooperation (JBIC)	www.jbic.go.jp
Japan International Cooperation Agency (JICA)	www.jica.lk
United Nations Development Programme (UNDP)	www.undp.org
United States Agency for International Development (USAID)	www.usaid.gov
World Bank	www.worldbank.org

Appendix 2. Interviewees

Aspects of financial management and governance were discussed with the following people.

Sultan H. Rahman	Director	ADB, South Asia Department
Richard Allen	Advisor for Governance	ADB, Strategy and Policy Department
John R. Cooney	Resident Representative	ADB, Sri Lanka Resident Mission
Hua Du	Senior Programs Officer	ADB
Joseph E. Zveglich, Jr.	Deputy Resident Representative / Economist	ADB, Sri Lanka Resident Mission
Renato M. Limjoco	Lead Financial Sector Specialist	ADB
Shenuka Chanmugam	Project Analyst	ADB, Sri Lanka Resident Mission
A. R. W. M. M. A. Bandara	Senior Economist	Central Bank of Sri Lanka, Economic Research Department
C. J. P. Siriwardena	Senior Economist	Central Bank of Sri Lanka, Economic Research Department
Ranel T. Wijesinha	President	Institute of Chartered Accountants of Sri Lanka (ICASL)
	President	Confederation of Asian and Pacific Accountants (CAPA)
	Partner	PricewaterhouseCoopers, Lanka (Pvt) Ltd.

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Asite Talwatte	President	ICASL
	Partner	Ernst & Young
Lakshman Perera	Secretary / Chief Executive	ICASL
Ranjith Ramanayake	Technical Director	ICASL
Dayanande Anderawawe	Director, Legal and Corporate Affairs	ICASL
Tissa Marusinghe	Director	Institute of Government Accounts and Finance (InGAF)
M. W. D. Ariyasena	President	Institute of Internal Auditors (IIA)
	Senior Partner	Ariyasena Millewa & Co. (Chartered Accountants)
N. Sri Pragasa	Chair of Education Committee	IIA
Gammacharige Jinnadasa	President	Institute of Public Finance Development Association (IPFDA)
Sinniah Sivagnanasuntharam	Secretary	IPFDA
Dr. P. B. Jayasundera	Secretary to the Treasury	Ministry of Finance and Planning (MOFP)
S. B. Divaratne	Deputy Secretary to the Treasury	MOFP
Faiz Mohideen	Deputy Secretary to the Treasury and Director-General, External Resources Department	MOFP
A. Abeygunasekera	Director	MOFP, External Resources Department
A. Kumarasiri	Deputy Director	MOFP, External Resources Department

W. Perera	Deputy Director	MOFP, External Resources Department
S. Abeysinghe	Director-General	MOFP, National Budget Department
W. D. Jayasinghe	Additional Director-General Project Director	MOFP, National Budget Department Public Expenditure Management Project
C. S. Kumarasinghe	Director	MOFP, National Budget Department
Mr. Abeysooriya	Director	MOFP, National Budget Department
R. Senanayake	Director	MOFP, National Budget Department
P. Algama	Deputy Director	MOFP, National Budget Department
R. Cooray	Director-General	MOFP, Fiscal Policy and Economic Affairs Department
P. Alailima	Director-General	MOFP, National Planning Department
M. Vamadevan	Additional Director-General	MOFP, National Planning Department
U. Dahanayake	Director	MOFP, National Planning Department
Ms Gangadaran	Assistant Director	MOFP, National Planning Department
M. V. P. Silva	Director-General	MOFP, Public Finance Department
M. M. B. Navaratna	Assistant Director	MOFP, Public Finance Department
N. Warusawitharana	Director-General	MOFP, State Accounts Department
P. Fernando	Director	MOFP, State Accounts Department

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L. R. De Silva	Additional Director-General	MOFP, State Accounts Department
A. M. S. K. Chandrasena	Director	MOFP, Accounting Services
P. Ekanayake	Director	MOFP, Debt Management and Financial Analysis
Susantha De Silva	Director	MOFP, Management Services Department
K. Fernando	Deputy General Manager (Finance)	National Water Supply and Drainage Board (NWSDB)
K. L. J. Basil Perera	Director	Post Graduate Institute of Management (PIM), University of Sri Jayewardenepura (USJ)
Gunapala Nanayakkara	Professor	PIM, USJ
H. Amerasekera	Director	Public Expenditure Management Project / PricewaterhouseCoopers, Lanka (Pvt) Ltd.
Ravi Corea	Director	Public Expenditure Management Project / PricewaterhouseCoopers, Lanka (Pvt) Ltd.
Sarah Holloway	Project Manager	Public Expenditure Management Project / PricewaterhouseCoopers, Lanka (Pvt) Ltd.
Ursula Blackshaw	Consultant	Public Expenditure Management Project / PricewaterhouseCoopers, Lanka (Pvt) Ltd.
Caroline Stanforth	Consultant	Public Expenditure Management Project / PricewaterhouseCoopers, Lanka (Pvt) Ltd.

Ajith S. Rathnayake	Director-General	Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)
W. D. Perera	Director-General	Sri Lanka Customs
Mr. Weerantunga	Chief Accountant	Sri Lanka Customs
Mr. Tissera	Director, Policy Planning	Sri Lanka Customs
M. Reyaz Mihular	Chairperson	Statutory Accounting Standards Committee, ICASL
	President	Association of Accounting Technicians of Sri Lanka (AATSL)
	Partner	KPMG Ford, Rhodes, Thornton & Co.
Lal Nanayakkara	Chairperson	Statutory Auditing Standards Committee, ICASL
Athula S. P. G. Manawadu	Head	USJ, Department of Accountancy and Financial Management
M. W. Wickramaarachci	Lecturer	USJ, Department of Accountancy and Financial Management
W. G. S. Kelum	Lecturer	USJ, Department of Accountancy and Financial Management
Bob Saum	Senior Financial Management Specialist	World Bank
Julitta Rasiah	Financial Management Officer	World Bank, Sri Lanka Resident Mission

Appendix 3. RETA-5980 (Regional Study) Information

1. Study Phases

The study had three broad phases as follows:

Phase I – Sri Lankan Case Study on Accounting and Auditing Support and Structures.

Phase II – Colombo Workshop (19-20 July 2001).

Phase III – Manila Workshop (5-6 March 2002) and Formulation of Action Plan.

2. Phase I: Case Study On Accounting and Auditing

This phase involved the examination of Sri Lanka's current accounting and auditing structure and systems. It also (i) analyzed Sri Lanka's political, institutional, and regulatory and legal framework on accounting and auditing practice and the level of enforcement of existing laws, rules, and regulations; (ii) identified gaps and weaknesses in accounting and auditing support available and deviations from international standards; and (iii) identified alternative options to remedy the identified weaknesses, with the objective of eliminating them eventually.

Barry Reid conducted the fieldwork for the study from 21 June to 23 July 2001. Nihal De Silva, Partner; Lasantha Wickremasinghe, Partner; Naayila Marikkar, Manager; and Natalia Payoe, Secretary, all of B. R. De Silva & Co. (Chartered Accountants), provided excellent research guidance and assistance. Financial management and governance arrangements were discussed with representatives from: the MOFP, the Auditor-General's Office, other government organizations, professional organizations, private sector businesses and educational institutions. A list of interviewees is attached as Appendix 2.

3. Phase II: Colombo Workshop

Issues arising from the study were discussed and debated at a workshop held in Colombo on 19-20 July 2001. Joseph E. Zveglic, Jr (Deputy Resident Representative, ADB) and A. Abeygunasekera (Director, External Resources Department MOFP) chaired session of the workshop. Francis B. Narayan, Lead Financial Management Specialist, ADB, participated in the workshop as a resource person and provided overall guidance with respect to the objectives of the study. Forty participants, representing the following organizations, attended the workshop:

- AATSL
- ACCA
- Auditor-General's Department
- BDH Burah Hathy
- Central Bank of Sri Lanka
- CIMASL
- Colombo Stock Exchange
- Ernst & Young
- Inland Revenue Department
- Institute of Bankers
- ICASL
- InGAF
- IIA
- IPFDA
- KPMG Ford Rhodes Thornton & Co
- MOFP
- Ministry of Higher Education and Information Technology Development
- Ministry of Internal and International Commerce and Food
- PIM (USJ)
- PricewaterhouseCoopers
- SEC
- CMASL
- SLAASMB
- University of Colombo
- University of Sri Jayawardenapura

4. Phase III: Manila Workshop and Formulation of Action Plan

Phase III assessed the roles that ADB and other funding agencies could play in improving the current situation in the selected DMCs. The roles included policy intervention, projects and program assistance, and mobilization of cofinancing resources to address the identified problems and weaknesses. This activity was undertaken in close consultation with the Government, regulatory authorities, representatives of the accounting and auditing professions, and other local interest groups and funding agencies. At this stage of the RETA, the commitment-in-principle of each selected country to implement the findings and recommendations of the study was agreed. The findings of the RETA were disseminated and debated at a workshop in Manila on 5-6 March 2002 and the developed action plan was finalized for implementation.

Appendix 4. International Accounting Standards

The following IASs were in effect at 28 February 2002.^{135, 136}

IAS 1	Presentation of Financial Statements	IAS 27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries
IAS 2	Inventories	IAS 28	Accounting for Investments in Associates
IAS 7	Cash Flow Statements	IAS 29	Financial Reporting in Hyper-inflationary Economies
IAS 8	Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies	IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
IAS 10	Events After the Balance Sheet Date	IAS 31	Financial Reporting of Interests in Joint Ventures
IAS 11	Construction Contracts	IAS 32	Financial Instruments: Disclosures and Presentation
IAS 12	Income Taxes	IAS 33	Earnings Per Share
IAS 14	Segment Reporting	IAS 34	Interim Financial Reporting
IAS 15	Information Reflecting the Effects of Changing Prices	IAS 35	Discontinuing Operations
IAS 16	Property, Plant and Equipment	IAS 36	Impairment of Assets
IAS 17	Leases	IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 18	Revenue	IAS 38	Intangible Assets
IAS 19	Employee Benefits	IAS 39	Financial Instruments: Recognition and Measurement
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	IAS 40	Investment Property
IAS 21	The Effects of Changes in Foreign Exchange Rates	IAS 41	Agriculture
IAS 22	Business Combinations		
IAS 23	Borrowing Costs		
IAS 24	Related Party Disclosures		
IAS 26	Accounting and Reporting by Retirement Benefit Plans		

¹³⁵ Source: IASC Website: www.iasc.org.uk

¹³⁶ The following IASs have been withdrawn:

- IAS 3 was replaced by IAS 27 and IAS 28.
- IAS 4 was replaced by IASs 16, 22, and 38.
- IAS 5 was replaced by IAS 1.
- IAS 6 was replaced by IAS 15.
- IAS 9 was superseded by IAS 38.
- IAS 13 was replaced by IAS 1.
- IAS 25 was replaced by IAS 39 and IAS 40.

Appendix 5. International Standards on Auditing

The following ISAs and IAPs were in effect at 31 March 2002.

1. International Standards on Auditing (ISAs)

100	Assurance Engagements	520	Analytical Procedures
120	Framework of ISAs	530	Audit Sampling and other Selective Testing Procedures
200	Objective and General Principles Governing an Audit of Financial Statements	540	Audit of Accounting Estimates
210	Terms of Audit Engagements	550	Related Parties
220	Quality Control for Audit Work	560	Subsequent Events
230	Documentation	570	Going Concerns
240	The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements	580	Management Representations
240A	Fraud and Error	600	Using the Work of Another Auditor
250	Consideration of Laws and Regulations in an Audit of Financial Statements	610	Considering the Work of Internal Auditing
260	Communications of Audit Matters with those Charged with Governance	620	Using the Work of an Expert
300	Planning	700	The Auditor's Report on Financial Statements
310	Knowledge of the Business	710	Comparatives
320	Audit Materiality	720	Other information in documents containing Audited Financial statements
400	Risk Assessments and Internal Control	800	The Auditor's Report on Special Purpose Audit Engagement
401	Auditing in a Computer Informa- tion Systems Environment	810	The Examination of Prospective Financial Information
402	Audit Considerations Relating to Entities Using Service Organiza- tions	910	Engagements to Review Financial Statements
500	Audit Evidence	920	Engagements to Perform Agreed Procedures Regarding Financial Information
501	Audit Evidence: Additional Considerations for Specific Items	930	Engagements to Compile Financial Information
505	External Confirmations		Glossary of Terms
510	Initial Engagements - Opening Balances		Preface to ISAs and RSs

2. International Auditing Practice Statements (IAPs)

1000	Inter-Bank Confirmation Procedures	1006	Audits of the Financial Statements of Banks
1001	Computer Information System (CIS) Environments: Standalone Microcomputer Systems	1007	[withdrawn]
1002	CIS Environments: Online Computer Systems	1008	Risk Assessments and Internal CIS Characteristics and Considerations
1003	CIS Environments: Database Systems	1009	Computer-Assisted Audit Techniques (CAATs)
1004	The Relationship Between Banking Supervisors and External Auditors	1010	The Consideration of Environmental Matters in the Audit of Financial Statements
1005	Special Consideration in Audits of Small Entities	1011	[withdrawn]
		1012	Auditing Derivative Financial Instruments
		1013	Electronic Commerce: Effect on the Audit of Financial Statements

Appendix 6. International Public Sector Accounting Standards (IPSASs)

As of June 2002, the IFAC Public Sector Committee (PSC) had issued the following IPSASs:

- IPSAS 1 *Presentation of Financial Statements* prescribes the overall considerations for the presentation of financial statements, guidance for the structure and minimum requirements for the content of financial statements prepared under the accrual accounting basis.
- IPSAS 2 *Cash Flow Statements* requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement that classifies cash flows during the period from operating, investing and financing activities. Cash flow information allows users to ascertain how a public sector entity raised the cash it required to fund its activities and the manner in which that cash was used.
- IPSAS 3 *Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies* requires the classification and disclosure of extraordinary items and the separate disclosure of certain items in the financial statements. It also specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors.
- IPSAS 4 *The Effect of Changes in Foreign Exchange Rates* deals with accounting for foreign currency transactions and foreign operations. IPSAS 4 sets out the requirements for deciding which exchange rate to use and how to recognize in the financial statements the financial effect of changes in exchange rates.
- IPSAS 5 *Borrowing Costs* prescribes the accounting treatment for borrowing costs and generally requires the immediate expensing of borrowing costs. However, the Standard permits, as an allowed alternative treatment, the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.
- IPSAS 6 *Consolidated Financial Statements and Accounting for Controlled Entities* requires all controlling entities to prepare consolidated financial statements, which consolidate all controlled entities on a line-by-line basis. The Standard also contains a detailed discussion of the concept of control as it applies in the public sector and guidance on determining whether control exists for financial reporting purposes.
- IPSAS 7 *Accounting for Investments in Associates* requires all investments in associates to be accounted for in the consolidated financial

statements using the equity method of accounting, except when the investment is acquired and held exclusively with a view to its disposal in the near future in which case the cost method is required.

- IPSAS 8 *Financial Reporting of Interests in Joint Ventures* specifies proportionate consolidation as the benchmark treatment for accounting for such joint ventures entered into by public sector entities. IPSAS 8 also permits—as an allowed alternative—joint ventures to be accounted for using the equity method of accounting.
- IPSAS 9 *Revenue from Exchange Transactions* establishes the conditions for the recognition of revenue arising from exchange transactions, requires such revenue to be measured at the fair value of the consideration received or receivable and includes disclosure requirements.
- IPSAS 10 *Financial Reporting in Hyperinflationary Economies* describes the characteristics of a hyperinflationary economy and requires financial statements of entities that operate in such economies to be restated.
- IPSAS 11 *Construction Contracts* defines construction contracts, establishes requirements for the recognition of revenues and expenses arising from such contracts and identifies certain disclosure requirements.
- IPSAS 12 *Inventories* defines inventories, establishes measurement requirements for inventories (including those inventories which are held for distribution at no or nominal charge) under the historical cost system and includes disclosure requirements.
- IPSAS 13 *Leases* prescribes, for lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to finance and operating leases.
- IPSAS 14 *Events After the Reporting Date* prescribes when an entity should adjust its financial statements for events after the reporting date; and the disclosures that an entity should give about the date when the financial statements were authorized for issue and about events after the reporting date.
- IPSAS 15 *Financial Instruments: Disclosure and Presentation* provides guidance on the significance of on-balance-sheet and off-balance-sheet financial instruments to a government's or other public sector entity's financial position, performance and cash flows.
- IPSAS 16 *Investment Property* prescribes the accounting treatment for investment property and related disclosure requirements.
- IPSAS 17 *Property, Plant and Equipment* describes the principal issues in accounting for property, plant and equipment, including the timing of recognition of the assets, the determination of their carrying amounts and the depreciation charges to be recognized in relation to them.

- IPSAS 18 *Segment Reporting* establishes principles for reporting financial information about distinguishable activities of a government or other public sector entity.
- *Glossary of Defined Terms* (IPSAS 1-IPSAS 18) identifies the terms defined in IPSASs on issue at 30 June 2002.

Appendix 7. IASB Improvements Project (Potential Agenda)¹³⁷

This project covers issues relating to problems with implementing existing IASs. The issues addressed are those that have been identified by various sources as narrow issues of substance whose resolution could improve the quality of the IASB standard and/or increase convergence of national and international standards. Also included are issues for which an IASB standard allows explicit or implicit alternative treatments. The issues could be addressed in a large single project or group of subprojects. Sources of issues include IOSCO, national standard setters, international accounting firms and the Standards Interpretation Committee (SIC).

The Preface to IASB Standards and transition to IAS (including possible amendment to SIC 8) were identified early by the IASB as matters needing improvement. A project on the Preface is already under way.

Potential topics for improvements are broadly of six types: (i) elimination of choices (explicit or implicit); (ii) elimination of conceptual inconsistencies between IASs; (iii) additional guidance; (iv) additional disclosure; (v) drafting improvements; and (vi) structural improvements. Regarding elimination of choices, IASB has identified the following nine choices as areas for possible change:

Issue	Choices
Inventory valuations	First-in First-out (FIFO) / Average or Last-in First-out (LIFO)
Correction of fundamental errors relating to prior periods	Restate or cumulative effect in earnings
Adjustments resulting from changes in accounting policies	If impracticable to restate, adjust retained earnings or cumulative effect in earnings
Foreign exchange losses from a severe devaluation or depreciation	Expense or capitalize
Translation of goodwill and fair value adjustments on acquisition of a foreign entity	Closing rate or rate at transaction date
Measurement of minority's portion of identifiable assets and liabilities acquired	Fair value or carrying amount
Borrowing costs	Expense or capitalize
Investments in associates/subsidiaries in parent entity accounts	Cost or equity method or IAS 39
Reporting a venturer's interest in jointly controlled entities	Proportionate consolidation or equity method

¹³⁷ Source: www.iasplus.com

Appendix 8. Accounting and Auditing Standards Act 1995

Parliament of the Democratic Socialist Republic of Sri Lanka
Accounting and Auditing Standards Act (No.15) of 1995
[Certified on 5th August 1995]

Published as a Supplement to Part II of the Gazette of the Democratic Socialist Republic of Sri Lanka of 25 August 1996

An Act to provide for the establishment of Sri Lanka Accounting Standards and Sri Lanka Auditing Standards; to establish the Sri Lanka Accounting and Auditing Standards Monitoring Board; and to provide for matters connected therewith or incidental thereto.

1. This Act may be cited as the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995. effective from and after the date of such publication or such later date as may be specified therein.

2. (1) The Institute of Chartered Accountants of Sri Lanka (hereinafter referred to as the "Institute") shall, from time to time, adopt such accounting standards (hereinafter referred to as "Sri Lanka Accounting Standards") as may be necessary for the purpose of maintaining a uniform and high standard in the preparation and presentation of accounts of business enterprise.

4. (1) The Institute shall, whenever necessary revise, alter and amend the Sri Lanka Accounting Standards and Sri Lanka Auditing Standards adopted by it under this Act and shall cause such revised, altered or amended standards to be published in the Gazette, and such revisions, alterations and amendments shall become effective from and after the date of such publication or such later date as may be specified therein.

(2) The Sri Lanka Accounting Standards adopted under subsection (1) shall be published in the Gazette and shall become effective from and after the date of such publication or such later date as may be applied therein.

(2) The Institute shall notify the public of the Sri Lanka Accounting Standards and the Sri Lanka Auditing Standards and of the revisions, alterations and amendments made thereto, be notice published in the Gazette or in such other manner as is calculated to give publicity thereto.

3. (1) The Institute shall from time to time, adopt appropriate auditing standards (hereinafter referred to as "Sri Lanka Auditing Standards") as may be necessary to govern the conduct of the audit of accounts of business enterprises.

5. The standards adopted by the Institute under sections 2 and 3 of this Act shall be applicable to all business enterprises specified in the Schedule to this Act (hereinafter referred to as "specified business enterprises").

(2) The Sri Lanka Auditing Standards, adopted under subsection (1) shall be published in the Gazette and shall become

6. (1) It shall be the duty of every specified business enterprise to prepare its accounts

in compliance with the Sri Lanka Accounting Standards and take all necessary measures to ensure that its accounts are audited in accordance with the Sri Lanka Auditing Standards with the object of presenting a true and fair view of the financial performance and financial condition of such enterprise.

(2) Any specified business enterprise, which acts in contravention of the provision of subsection (1), shall be guilty of an offense under this Act.

7. (1) The accounts of every specified business enterprise shall be audited by professionally qualified auditors who shall be members of the Institute holding a certificate to practice, issued by the Institute, and it shall be the duty of such auditors to certify in their audit report that the audit has been conducted in accordance with the Sri Lanka Auditing Standards and that accounts have been prepared and presented in accordance with the Sri Lanka Accounting Standards.

(2) Where any qualified auditor fails to comply with the Sri Lanka Accounting Standards and the Sri Lanka Auditing Standards as required by subsection (1), he shall specify clearly the deviations made and give reasons for such deviations.

8. (1) An Accounting Standards Committee consisting of such members as are specified in subsection (2) is hereby established and such Committee shall make recommendation and otherwise assist the Institute in the adoption of accounting standards under section 2 of this Act.

(2) The Accounting Standards Committee shall consist of: (a) the President of the Institute and five other members of the Institute nominated by the Council of such Institute; (b) one member nominated by the Sri Lanka Division of the Chartered Insti-

tute of Management Accountant of the United Kingdom; (c) the Registrar of Companies; (d) the Director-General of the Securities and Exchange Commission of Sri Lanka; (e) one member to represent the Central Bank nominated by the Governor of the Central Bank; (f) one member who shall be a director a company or person having extensive experience at senior managerial level in a specified business enterprise, nominated by the Ceylon Chamber of Commerce; and (g) one member who shall be a director of a company or a person having extensive experience at a senior level in a specified business enterprise, nominated by the Federation of Chambers of Commerce and Industry of Sri Lanka.

(3) Notwithstanding the provisions of subsection (1), the Accounting Standards Committee shall, where it is called upon to make recommendations regarding accounting standards to be adopted in respect of licensed commercial banks or other financial institutions coming within the supervisory control of the Central Bank, consult the Central Bank and obtain its concurrence, before making such recommendations.

9. (1) An Auditing Standards Committee consisting of such members as are specified in subsection (2) is hereby established and such Committee shall make recommendations and otherwise assist the Institute in the adoption of Auditing Standards under section 3 of this Act.

(2) The Auditing Standards Committee shall consist of eight members of the Institute nominated by the Council of such Institute, at least four of whom shall be members of the Accounting Standards Committee nominated under paragraph (a) of subsection (2) of section 8.

(3) Notwithstanding the provisions of subsection (2), the Institute may, as and

when it considers necessary, co-opt any person with special experience in the field of auditing to serve in the Auditing Standards Committee.

10. (1) A member nominated to the Accounting Standards Committee or the Auditing Standards Committee (in this section referred to as “a nominated member”) may resign from such Committee by a letter addressed to the person nominating him.

(2) A nominated member of the Accounting Standards Committee or the Auditing Standards Committee shall serve on such Committee for a period of four years and shall be eligible for re-nomination.

(3) A person nominated to the Accounting Standards Committee or Auditing Standards Committee in place of a nominated member, who dies or resigns from such Committee, shall serve on such Committee for the unexpired period of the term of the nominated member whom he succeeds.

11. (1) There shall be established a board which shall be called and known as the “Sri Lanka Accounting and Auditing Standards Monitoring Board” (hereinafter referred to as “the Board”).

(2) The Board shall by the name assigned to it by subsection (1) be a body corporate with perpetual succession and a common seal and may sue and be sued in its corporate name.

12. (1) The Board shall consist of the following members:

(a) three members (hereinafter referred to as “ex officio members”) who shall be the persons holding office as (i) the Registrar of Companies; (ii) the Commissioner-General of Inland Revenue; and (iii) the Director-General of the Securities and Exchange Commission of Sri Lanka;

(b) ten members appointed by the Minister (hereinafter referred to as “appointed members”) and consisting of (i) an officer of the Central Bank nominated by the Governor of the Central Bank; (ii) three members of the Institute selected from among persons nominated by the Institute; (iii) a member of the Chartered Institute of Management Accountants of the United Kingdom selected from among three members nominated by the Sri Lanka Division of the Institute; (iv) one senior lawyer selected from among three senior lawyers nominated by the Bar Association of Sri Lanka; (v) two company directors or other persons with extensive managerial experience at senior level in a specified business enterprise one of whom shall be selected from a panel of three names submitted by the Ceylon Chamber of Commerce, and the other from a panel of three names submitted by the Federation of Chambers of Commerce and Industry of Sri Lanka; (vi) one senior banker selected from a panel of three bankers nominated by the Sri Lanka Bank’s Association; and (vii) one person selected from a panel of three persons nominated by the University Grants Commission established by the Universities Act No. 16 of 1978, to represent the Departments Faculties and Postgraduate Institutes of Accounts or Business Management or Business Administration in Universities coming within its purview.

(2) The Minister shall appoint one of the appointed members of the Board to be the Chairman of the Board.

13. (1) Every appointed member of the Board shall, unless he vacates office earlier by death, resignation or removal, hold office for a period of four years.

14. (1) The Minister may, by Order published in the Gazette remove any appointed member of the Board from office without assigning any reason therefore.

(2) A member, in respect of whom an Order under subsection (1) is made, shall be deemed to have vacated office on the date of publication of such Order in the Gazette.

15. An appointed member may at any time resign his office by letter to that effect addressed to the Minister and such resignation shall take effect upon it being accepted by the Minister.

16. An appointed member who vacates office, otherwise than by removal, shall be eligible for reappointment.

17. In the event of vacation of office by death, resignation or removal of any appointed member of the Board, the Minister may having regard to the provisions of paragraph (b) of subsection (1) of section 12, appoint any other person to succeed such member. Any member so appointed in place of such member shall hold office for the unexpired period of the term of office of the member whom he succeeds.

18. (1) The Chairman of the Board shall preside at every meeting of the Board. In the absence of the Chairman from any such meeting, the members present shall elect one of the members to preside at such meeting.

(2) The quorum for any meeting of the Board shall be not less than six members of the Board.

(3) Subject to the provisions of this section the Board may regulate the procedure in regard to the meetings and the transaction of business at such meetings.

(4) No act, decision or proceeding of the Board shall be deemed to be invalid by reason only of the existence of any vacancy among its members or any defect in the appointment of any member thereof.

(5) The Chairman of any meeting of the Board shall, in addition to his own vote, have a casting vote.

19. The members of the Board shall be remunerated in such manner and at such rates as may be determined by the Minister with the concurrence of the Minister in charge of the subject of Finance.

20. (1) If the Chairman of the Board becomes by reason of illness or other infirmity or absence from Sri Lanka, temporarily unable to perform the duties of his office, the Minister may appoint another member of the Board to act in his place.

(2) The Minister may, without assigning any reason therefore, remove the Chairman from the office of Chairman.

(3) The Chairman may at any time resign from the office of Chairman by letter addressed to the Minister.

(4) Subject to the provisions of subsection (2) and (3), the term of office of the Chairman shall be his period of membership of the Board.

21. (1) The seal of the Board shall be in the custody of the Chairman of the Board.

(2) The seal of the Board may be altered to such manner as may be determined by the Board.

(3) The seal of the Board shall not be affixed to any instrument or document except in the presence of three members of the Board all of whom shall sign the instrument in token of their presence.

22. The Board shall, subject to the provisions of this act (a) appoint such officers and servants as it may consider necessary for the performance or discharge of its

duties and functions and may exercise disciplinary control over them; (b) fix the amounts to be paid as remuneration to the officers and servants so appointed; (c) determine the terms and conditions of service of such officers and servants; (d) establish and regulate provident funds or schemes for the benefit of such officers and servants and make contributions to any such fund or scheme.

23. The function of the Board shall be to monitor the compliance with Sri Lanka Accounting standards and the Sri Lanka Auditing Standards, by specified business enterprises.

24. The Board shall have power (a) to acquire and hold, any property, movable or immovable, which may become vested in it by virtue of any purchase, grant, gift, testamentary disposition or otherwise and to sell, mortgage, assign, exchange or otherwise dispose of the same; (b) to enter into such contracts and agreements as may be necessary for the discharge of its functions; (c) to do all such acts or things as may be necessary in the opinion of the Board for the proper discharge of its functions.

25. (1) It shall be duty of every specified business enterprise to submit to the Board a copy of the annual accounts of such enterprise to enable the Board to determine whether the accounts have been prepared in compliance with the Sri Lanka Accounting Standards.

(2) For the purpose of enabling the Board to perform its duty under subsection (1), the Board or any person authorized in that behalf by the Board may by notice in writing issued not later than one year after a specified business enterprise has submitted its relevant accounts to the Board, require such specified business enterprise or its auditors to furnish to the Board or to the

person authorized by the Board, within such time, as shall be specified in the notice, any information pertaining to its accounts and it shall be the duty of such specified business enterprise or its auditors, as the case may be, to comply with such requirement within the time specified in the notice.

(3) The Board shall have the power for the purpose of performing its duties under subsection (1) to summon and question any director, officer or auditor of any specified business enterprise on any matter pertaining to the preparation or presentation of its accounts.

26. The Board or any person duly authorized in that behalf may carry out such investigations or hold such inquiries as it may by notice in writing consider necessary or expedient for the performance of its duties under this Act, and for such purpose may summon and call upon any director, officer or auditor of any specified business enterprise to appear before it at any such investigation or inquiry or to produce any such books or documents in the possession or control of such director, officer or auditor as are required for the purpose of such investigation or inquiry.

27. (1) Every (a) person who fails to comply with, or contravene, the provisions of section 6 or section 7 or subsection (1) of section 25; (b) person who fails to comply with any requirement imposed on him under subsection (2) of section 25 or knowingly furnishes any false information in compliance with any such requirement; (c) director, officer or auditor of a specified business enterprise who fails to appear before the Board when required to do so under subsection (3) of section 25 or section 26, or who refuses to answer any question put to him by the Board or a person duly authorized by the Board or who refuses to produce any book or document in his

possession or control when required to do so by the Board or knowingly gives any false answer to any question put to him by the Board or a person duly authorized by the Board, shall be guilty of an offense under this Act, and shall on conviction after summary trial before a Magistrate be liable to a fine not exceeding five hundred thousand rupees.

(2) Where a person is convicted of an offense under this Act and the court holds that the act constituting such offense was done with the intention of misleading the shareholders of a specified business enterprise or any financial institution dealing with such specified business enterprise or where a licensed commercial bank is convicted of an offense under this Act and the court holds that the act constituting the offense was done with the intention of misleading the depositors of such bank, the court may sentence the offender to imprisonment of either description for a term not exceeding five years.

(3) Where an offense under this Act, is committed by a body corporate, any person who is at the time of the commission of the offense, a director, manager, secretary or other similar officer of that body corporate shall be deemed to be guilty of that offense unless he proves that the offense was committed without his knowledge or connivance and that he exercised all such diligence to prevent the commission of that offense as he ought to have exercised having regard to the nature of his functions and all the circumstances of the case.

28. (1) The Board may, having regard to the circumstances in which offense under this Act is committed compound such offense for a sum of money not exceeding one-third of the fine imposable for such offense and all prior sums of money received by the

Board in the compounding of an offense under this section shall be credited to the Fund of the Board.

(2) Where the Board is satisfied that a specified business enterprise or an auditor has contravened any provision of this Act and that such contravention is not of a serious nature it may (a) direct such specific business enterprise to have its accounts reaudited or where such accounts have been published, to republish them or to include suitable correction in its accounts for the following year; or (b) where such specified business enterprise is a public company, direct such public company to send a notification in writing to all its shareholders explaining the reason for such non-compliance on the accounts of such public company and where such specified business enterprise is a public company listed in a stock exchange licensed by the Securities and Exchange Commission of Sri Lanka, to send in addition, a copy of such notification to such Commission and such stock exchanges.

29. Where any document of any specified business enterprise violates any provision of this Act, it shall be duty of the Board to bring such violation to the notice of any professional body of which such accountant is a member for the purpose of enabling such body to take appropriate action against such accountant.

30. Where any specified business enterprise has failed to act in compliance with provisions of this Act, it shall be the duty of the Board to bring such fact to the notice (a) of any authority which is empowered by law to regulate or supervise the activities of such specified business enterprise; and (b) of the Inland Revenue Department. If the Board considers that such non-compliance has resulted in a substantial reduction of the tax liabilities of

31. (1) There shall be charged, levied and paid by every specified business enterprise, a cess of such amount as may be determined by the Minister from time to time, by Order published in the Gazette, and which shall consist of a percentage of the shareholders equity as shown in the balance sheet of such enterprises for the previous year or a percentage of its after tax profits as shown in the profit and loss account of such enterprise for the previous year, whichever is higher.

(2) Every Order made under this section shall come into force on the date of its publication in the Gazette or such later date as may be specified therein and shall be brought before Parliament for its approval within two months of its publication. Any Order, which is not so approved, shall be deemed to be revoked from the date of disapproval but without prejudice to the validity of any thing previously done thereunder. Notification of the date on which an Order is so disapproved shall be published in the Gazette.

32. (1) The Board shall have its own Fund. There shall be credited to the fund of the Board (a) all such sums of money as may be voted from time to time by Parliament for the use of the Board; (b) all such sums of money received by the Board as proceeds of the cess imposed under section 31; and (c) all such sums of money as may be received by the Board in the exercise and performance of its powers and duties under the Act.

(2) There shall be paid out of the Fund of the Board all sums of money as are required to defray the expenditure incurred by the Board in the exercise, discharge and performance of its powers duties and functions under this Act or any other written law.

33. (1) The financial year of the Board shall be the calendar year.

(2) The provisions of Article 154 of the Constitution relating to the audit of the accounts of public corporations shall apply to the audit of the accounts of the Board.

34. The Board shall, at the end of each financial year publish a report of its activities during the year and it shall be submitted to the Minister for approval. On being approved by the Minister, the Minister shall cause such report to be laid before Parliament.

35. (1) No suit or prosecution shall lie (a) against the Board for any act which in good faith is done, or purported to be done, by the Board under this Act; or (b) against any member, officer or servant of the Board for any act which is done, or purported to be done by him in good faith under this Act or on the direction of the Board.

(2) Any expense incurred by the Board in any suit or prosecution brought by or against the Board before any court shall be paid out of the Fund of the Board, and any costs paid to or recovered by, the Board in any such suit or prosecution shall be credited to the Fund of the Board.

(3) Any expense incurred by any such person as is referred to in paragraph (b) of subsection (1) in any suit or prosecution brought against him before any court in respect of any act which is done or is purported to be done by him under this Act or on the direction of the Board shall, if the court holds that such act was done in good faith, be paid out of the Fund of the Board, unless such expense is recovered by him in such suit or prosecution.

36. All members, officers and servants of the Board shall be deemed to be public servants within the meaning and for the purpose of the Penal Code.

37. The Board shall be deemed to be a scheduled institution within the meaning of the Bribery Act and the provision of that Act shall be construed accordingly.

38. (1) The Minister may make regulations in respect of any matter required by this Act to be prescribed or in respect of which regulations are authorized by this Act to be made.

(2) Every regulation made by this Act shall be published in the Gazette and shall come into operation on the date of its publication or on such later date as may be specified in the regulation.

(3) Every regulation made by the Minister shall as soon as convenient after its publication be laid before Parliament for approval. Any regulation, which is not approved, shall be deemed to be rescinded from the date of such approval but without prejudice to anything previously done thereunder.

(4) Notification of the date on which any regulation made by the Minister is deemed to be rescinded shall be published in the Gazette.

39. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

40. In this Act, unless the context otherwise requires

“Central Bank” means the Central Bank of Sri Lanka established under the Monetary Law Act;

“company” shall have the same meaning as in the Companies Act No. 17 of 1982;

“Ceylon Chamber of Commerce” means the Ceylon Chamber of Commerce incorporated by the Chamber of Commerce Ordinance;

“Factoring Company” means a company which (a) assumes responsibility for the trade debts of a client company; (b) assumes responsibility for the trade debts due to the client company, thereby relieving the client of the risk of loss; (c) takes over client’s trade debts and in certain circumstances, advances a portion of their value immediately, and the balance on maturity of debts; (d) purchase a debt or a number of debts from a client, usually in order to improve the client’s cash flow; or (e) underwrites a client’s trade debt with or without recourse.

“Fund Management Company” means a company which manages portfolios of their clients in investing in range of assets to suit the clients preferences and needs;

“Institute of Chartered Accountants” means the Institute of Chartered Accountants established by the Institute of Chartered Accountants Act No. 23 of 1959;

“licensed commercial bank” means a public company licensed to carry on banking business under the Banking Act No 30 of 1988;

“prescribed” means prescribed by regulation made by the Minister;

“public corporation” means any corporation, board or other body which was or is established by or under any written law other than the Companies Act, with funds or capital wholly or partly provided by the Government by way of grant, loan or otherwise;

“Securities and Exchange Commission” means the Securities and Exchange established by the Securities and Exchange Commission Act, No. 36 of 1987;

“share-holders’ equity” when used in relation to a public company, means the issued capital of that company and its reserves.

Appendix 9. Relevant Extracts from the 1990 SEC Rules

1990 Rules made by the Securities and Exchange Commission of Sri Lanka under section 53 of the Securities and Exchange Commission Act, No. 36 of 1987, read with Paragraph (g) of Section 13 of that Act.

Books of accounts 8.(1) Every licensed stock exchange shall records and other maintain and preserve the following documents to be books of accounts and documents, or maintained by a such other acceptable alternative stock exchange, accounting records for a period of stock broker and five years - stock dealer (a) Minute Books of the meetings of- (i) Members, (ii) Governing Body, (iii) Any standing committee or committees of the Governing body or of the General Body of members. (b) A register of members containing their full names and addresses. Where any member of stock exchange is a company, the full names and addresses of all the Directors, and where any member is a partnership, the full names and addresses of the partners shall be shown; (c) Register of accredited representatives and authorised assistants; (d) Record of Security deposits and bank guarantees; (e) Ledgers; (f) Journals; (g) Cash Books; (h) Bank statements and bank reconciliation account; (i) List of names and addresses of Secretaries/ Registrars of companies listed with the stock exchange.

(2) Every licensed stockbroker stock dealer shall maintain and preserve the following books of account and documents, or such other acceptable alternative accounting records in their place, for a period of five years- (a) Register of Transactions - contract-wise; (b) Register of Transactions - company-wise; (c) Register of Transactions - Client-wise; (d) Client's Ledger;

(e) General Ledger; (f) Cash Book; (g) Bank Statements and Bank Reconciliation

Account; (h) Members' contract books, showing details of all contracts entered into by him with other members of the same stock exchange, or counter foils or duplicates of memos of confirmation issued to such other members; (i) Duplicates of contract notes issued to clients; (j) Written consent of clients in respect of contracts entered into as members, where available.

10. (1) Every stock exchange shall, before the 31st day of March in each year, or where the Commission grants an extension of time, within such time, furnish to the Commission annually, - report of its activities during the preceding calendar year which shall, inter alia, contain information on the following matters - (a) Amendments, if any, made to the Rules and by-laws of the stock exchange; (b) Changes in the composition of the Governing Body; (c) Any new sub-committees set up and changes in the position of existing ones; (d) Admission, re-admission, deaths or resignation of members; (e) Disciplinary action taken against members; (f) Arbitration of disputes (nature and number) between members; (g) Defaults; (h) Action taken to combat any emergency in trade; (i) Securities listed and de-listed; (j) Securities brought on, or removed from the forward list, where applicable.

(2) Every stock exchange shall hold its Annual General Meeting within four months from the end of the financial year, at which meeting there shall be presented an Annual report and duly audited accounts. Such report and audited accounts should be submitted to the Commission within two weeks thereafter.

11. Every licensed stock exchange shall furnish to the Commission, quarterly returns relating to - (a) Purchases and sales during the preceding quarter; (b) Names of companies which have not submitted annual and bi-annual reports; (c) The number of securities listed and delisted during the previous three months.

12. (1) In addition to any other existing requirements of members for an audit, every member shall, if directed by the Commission, have its accounts audited by a firm of Chartered Accountants who are registered as Auditors.

(2) The Commission where it deems necessary may appoint an independent auditor to conduct an audit at any time, without prior notice on a member, and it may fix the remuneration to be paid by the member to such auditor.

18. (1) Every issuer of listed securities shall file with by listed public companies the stock exchange, Annual Reports certified by their Auditors. Such Reports shall be made available to the public. (2) Listed public companies shall report to their shareholders on a regular and consistent basis, as required by the rules of the stock exchange.

(3) Listed public companies' financial year end provisional results shall be announced within four months of the end of each companies' financial year.

(4) (a) Every listed public company shall prepare and furnish to the Commission accounts in accordance with the provisions of the companies Act No. 17 of 1982 in

respect of each financial year: (b) The Auditors shall certify that such accounts are presented in accordance with accounting standards as laid down by the Institute of Chartered Accountants of Sri Lanka.

(5) The reports of a listed public company shall disclose an occurrence or events which in the view of the Directors may materially affect the following- (a) Nature of business; (b) Objectives; (c) Consideration as a going concern; (d) Valuation of assets; (e) Assessment of liabilities including contingent liabilities; (f) Profits and/or losses; and the extent to which provision had been made in the accounts in respect of such occurrence or event.

(6) The Directors of a holding company shall ensure that, except where in their opinion there are good reasons to the contrary, the financial year of each of its subsidiaries shall coincide with the Company's own financial year.

(7) (a) A listed public company shall submit to the shareholders, as well as to the stock exchange of which it is a member, an interim financial statement within ninety days from the end of six months of the financial year, in such format as may be prescribed by the stock exchange. The interim statement shall be signed by any two Directors of the company and any two Directors of the company and certified as to whether such accounts are audited or unaudited. (b) The stock exchange upon receipt of the interim financial statement, shall, if such statement conforms to prescribed standards forward such statement to the members of such stock exchange.

Appendix 10. Relevant Extracts from the Banking Act 1988

Incorporating amendments to 31 December 1999.

Part I – Licensing of Persons Carrying on Banking Business

14. (1) Where the Governor of the Central Bank has reasonable grounds to believe that any person or any commercial bank is carrying on banking business without a licence, the Governor may direct the Director of Bank Supervision or any other officer of the Central Bank to examine the books, accounts and records for the purpose of ascertaining whether such person or bank has contravened, or is contravening any of the provisions of this Act.

(2) The Director of Bank Supervision or such other officer so authorised by the Governor in terms of subsection (1) may require such person or the bank to furnish to him such information or to produce for inspection any books, minutes, accounts, cash, securities, vouchers, other documents and records as he may consider necessary to obtain for the purpose of such examination, and it shall be the duty of such person or bank to furnish such information and to submit to such officer for examination such books, minutes, accounts, cash, securities, vouchers, other documents and records, as the case may be, when so required.

(3) Any person who fails to furnish such information or to produce any books, minutes, accounts, cash, securities, vouchers, other documents and records when required to do so under subsection (2) shall be guilty of an offence under this Act.

(4) Any refusal by any person or commercial bank to furnish such information or to submit such books, minutes, accounts, cash, securities, vouchers, other documents

and records in contravention of the provisions of subsection (2) shall be prima facie evidence of such person or bank carrying on banking business without a licence.

Part II – Banking Names and Descriptions

Part III – Capital Requirements, Reserve Funds and Maintenance of Liquid Assets

Part IV – Offshore Banking Business

27. Every licensed commercial bank shall, in respect of its off-shore unit, prepare—
(a) a balance sheet as at the last working day of each financial year of such licensed commercial bank; (b) a profit and loss account in respect of such year.

28. The Monetary Board may specify the form of the balance sheet and profit and loss account referred to in section 27 and the balance sheet and profit and loss account shall be prepared in such form as is specified.

30. (1) Every commercial bank engaged in off-shore banking business, shall appoint annually, a qualified auditor to audit the accounts of its off-shore unit and such auditor shall submit a report to such licensed commercial bank in respect of the accounts, balance sheet and profit and loss account of such off-shore unit. The auditor shall state in his report whether in his opinion, the balance sheet and profit and loss account are full and fair and properly drawn up and whether they exhibit a true and correct statement of affairs of the licensed commercial bank.

(2) A certified copy of the report shall be sent to the Monetary Board, and if the Monetary Board is of the opinion that the auditor has not discharged his duty to the best of his ability the Board may, order the licensed commercial bank to appoint another auditor for the purpose of preparing a fresh report.

31. The Monetary Board may cause an examination of any off-shore unit to be made by officers duly, authorised by it, in that behalf, in consequence of the auditor's report, or the auditor's failure to submit a report, or because of other relevant information that affords the Monetary Board reasonable grounds to believe that the off-shore unit is not in a sound financial condition or that it is engaging in fraudulent, unsafe or unsound banking practices or that the requirements of this Part have not been complied with in the carrying on of its business.

32. Every off-shore banking unit shall maintain the books, minutes, accounts, cash securities, vouchers, other documents and records as may be determined by the Monetary Board, having regard to the nature of the business carried on by such off-shore unit.

33. (1) It shall be lawful for the Director of Bank Supervision or any officer of the Department of Bank Supervision or any officer authorised under section 31 — (a) to require any director, officer or employee of any off-shore unit to furnish him with such information as he may consider necessary to obtain, for the purpose of ascertaining the true condition of the affairs of any off-shore unit; (b) to require any such director, officer, or employee to produce for inspection by him at such time as he may specify any books, minutes, accounts, cash securities, vouchers, other documents and records in the possession of such director, officer or

employee containing or likely to contain any such information.

(2) It shall be the duty of every director, officer or employee of any off-shore unit to afford to the Director of Bank Supervision or to any officer of his department or any officer authorised under section 31 whenever required so to do, in terms of subsection (1), the fullest opportunity to examine books, minutes, accounts, cash securities, vouchers, other documents and records in his possession containing or likely to contain any such information.

(3) If any books, minutes, accounts, cash securities, vouchers, other documents and records are not produced or information not furnished in accordance with the provisions of subsection (2), the officer so defaulting shall be guilty of an offence under this Act.

34. Subject to the provisions of this Part, the Monetary Board may, from time to time, call for information, reports and returns as it may deem necessary for the purposes of this Part and may publish information and data extracted therefrom which does not disclose particulars of individual transactions.

Part V – Accounts, Audit, Information and Inspection

35. Every licensed commercial bank shall prepare at the expiration of each financial year— (a) a balance sheet as at the last working day of such financial year; and (b) a profit and loss account in respect of such year.

36. (1) The balance sheet of a licensed commercial bank shall set out the state of affairs of such bank as at the end of the financial year to which such balance sheet relates.

(2) There shall be shown in the balance sheet or in any statement annexed

thereto— (a) capitalised expenses not represented by tangible assets under separate headings, so far as they are not written off; (b) the market value of investments; (c) the method adopted to value fixed assets if there had been any valuation of such assets during the financial year; (d) the aggregate amounts of advances after the provisions for bad and doubtful debts; (e) any increase or decrease in the provision for depreciation, renewals or diminution in the value of fixed assets; (f) the sources and applications of funds; (g) reserves, provisions and liabilities distinguishable from each other; (h) except in the case of the first balance sheet after the coming into force of this Part of this Act the corresponding amounts at the end of the immediately preceding financial year for all items shown in the balance sheet.

37. There shall be shown in the profit and loss account or in any statement annexed thereto—(a) the amount charged to revenue by way of provision for depreciation, renewals or diminution in value of fixed assets; (b) the amount charged to revenue for Sri Lanka income tax and other Sri Lanka taxation on profits and distinguishable from such accounts, the amounts, of material, set aside or proposed to be set aside for liabilities in respect of tax due in the current year of taxation or a succeeding year; (c) the aggregate amount of dividends paid or proposed to be paid; (d) the amount of remuneration of auditors; (e) the amount charged to revenue representing the aggregate amount of the emoluments of directors; (f) the amount set aside or proposed to be set aside to, or withdrawn from, reserves; (g) under separate headings, the profit or loss or the income and expenses arising from transactions such as are not usually carried on by banking companies and are carried on owing to circumstances of an exceptional or non-recurrent nature or by a change in the basis of accounting;

(h) except in the case of the first profit and loss account after the coming into force of this Part of this Act, the corresponding amount at the end of the immediately preceding financial year for all items shown in the profit and loss account.

38. (1) Every licensed commercial bank incorporated or established within Sri Lanka by or under any written law shall transmit to the Director of Bank Supervision, and publish within five months after the close of the financial year its audited balance sheet as at the close of the financial year, and exhibit them in a conspicuous place of each of its places of business until the balance sheet and profit and loss account for the succeeding financial year are prepared and exhibited.

(2) Every licensed commercial bank incorporated outside Sri Lanka shall transmit to the Director of Bank Supervision within five months of the close of each financial year its audited balance sheet as at the close of the financial year and its profit and loss account for such financial year in respect of its business in Sri Lanka.

(3) The Monetary Board may specify the form of the balance sheet and profit and loss account referred to in this Part and where such form is specified, the balance sheet and profit and loss account of every licensed commercial bank shall be prepared in such form as may be specified.

(4) Every commercial bank licensed to carry on banking business in Sri Lanka shall within six months of the close of the financial year, exhibit in a conspicuous place within the place of business of such commercial bank— (a) the profit and loss account for such financial year in respect of its business within Sri Lanka including the business of its off-shore unit; and (b) the consolidated balance sheet as at the end

of such financial year setting out the state of affairs of such commercial bank and of its affiliates and subsidiaries, until its next profit and loss account and balance sheet are exhibited.

38A. (1) The Monetary Board may have regard to the need to ensure that experienced and competent qualified auditors are engaged in auditing the accounts of licensed commercial banks, issue guidelines to the Director of Bank Supervision who shall select from time to time in accordance with such guidelines, such number of qualified auditors to audit the accounts of licensed commercial banks and transmit a list of such selected qualified auditors to all licensed commercial banks.

(2) It shall be the duty of all licensed commercial banks to select their auditors for purpose of auditing its accounts from and out of the list transmitted under subsection (1).

39. (1) Every licensed commercial bank shall appoint annually from and out of the list issued by the Director of Bank Supervision under section 38 A, a qualified auditor to audit the accounts of such bank. The duties of such auditor shall be— (a) in the case of a licensed commercial bank incorporated or established within Sri Lanka by or under any written law, to prepare a report in respect of the accounts, balance sheet and profit and loss account examined by him, to be submitted to each of its shareholders; and (b) in the case of a licensed commercial bank incorporated outside Sri Lanka, to submit a report to its head office in respect of the accounts, balance sheet and the profit and loss account examined by him.

(2) Every such report, which shall be completed within three months of the end of the financial year, shall contain a statement by the auditor as to whether in his

opinion the balance sheet and profit and loss account contain a full and fair and properly drawn up statement and whether they represent a true and correct statement of the bank's affairs, and if the auditor has called for an explanation or any information from the officers or agents of such licensed commercial bank whether such explanation or information is satisfactory.

(3) The report of the auditor made in accordance with subsections (1) and (2) shall, in the case of a licensed commercial bank incorporated or established within Sri Lanka by or under any written law, be read together with the report of the Board of Directors of the licensed commercial bank at the annual general meeting of its shareholders, and, in the case of a licensed commercial bank incorporated outside Sri Lanka, be transmitted to the head office of such licensed commercial bank. A copy of such report shall be transmitted to the Director of Bank Supervision. Where the Director of Bank Supervision is not satisfied with the report of the auditor, he may make a request to the Monetary Board for the appointment of a new auditor to submit a fresh report.

(3A) Notwithstanding the provisions of subsection (3), the Director of Bank Supervision may, on receipt of the report referred to in that subsection, call upon the auditors to— (a) submit such additional information in relation to the audit, as the Monetary Board considers necessary; (b) enlarge or extend the scope of the audit of the business and affairs of the bank; (c) carry out such other examination required by him or recommend to the licensed commercial bank any procedure in respect of a particular matter; and (d) submit a report on any of the matters referred to in paragraphs (b) and (c), and the cost of such additional audit or such other work shall be met by the Central Bank.

(4) If a licensed commercial bank fails to appoint an auditor under subsection (1) or the Director of Bank Supervision has made a request to the Monetary Board in terms of subsection (3), the Monetary Board shall have the power to appoint an auditor for such licensed commercial bank.

(5) Every auditor appointed under subsection (1) or (4) shall have a right of access at all times to the books, accounts and vouchers and all documents and records belonging to the licensed commercial bank, which he considers necessary for the performance of his duties, and he shall be entitled to require from the officers of such bank such information and explanations as he thinks necessary for the performance and proper discharge of his duties and functions as auditor.

(6) The remuneration of the auditor, whether appointed by the licensed commercial bank or by the Monetary Board, shall be paid by the licensed commercial bank and, in the case of an auditor appointed by the Monetary Board under subsection (4), he shall be paid such amount as may be determined by the Monetary Board.

(7) No person having an interest in any licensed commercial bank or any director, officer, employee, agent of such licensed commercial bank shall be eligible for appointment as auditor for that licensed commercial bank. Any person appointed as auditor who shall after such appointment acquire any interest in or become a director, officer, employee or agent of such licensed commercial bank shall forthwith cease to act as such auditor.

(8) Nothing contained in this section shall apply to the audit of the accounts of any licensed commercial bank which is a public corporation.

40. Where any licensed commercial bank has, due to circumstances beyond its control, failed to comply with the provisions of section 35, or where an auditor appointed by such licensed commercial bank has, due to reasons beyond his control, failed to complete the audit report as specified, the Monetary Board may, on an application made by such licensed commercial bank, grant a reasonable period of time for compliance with the preceding provisions of this Part.

41. (1) The Monetary Board shall, from time to time, cause an examination of any licensed commercial bank or any of its subsidiaries, to be made by an officer duly authorised by it, whenever it appears to the Board that such examination is necessary or expedient in order to examine whether such licensed commercial bank is in a sound financial condition and whether the carrying on of business by the licensed commercial bank has been in accordance with the provisions of this Act or any other written law.

(2) Every licensed commercial bank and any subsidiary of such licensed commercial bank referred to in subsection (1) shall permit the officer authorised by the Monetary Board, to inspect at any time as requested by such officer all books, minutes, accounts, cash securities, vouchers, other documents and records relating to its business and shall be required to furnish such information concerning its business as may be requested by such officer.

(3) If any books, minutes, accounts, cash, securities, vouchers, other documents and records are not produced or information not furnished in accordance with the provisions of subsection (2) or if any information furnished or item produced is false in any material particular the defaulting licensed commercial bank or subsidiary or both, as

the case may be, shall be guilty of an offence under this Act.

Part VI – Disqualification for Appointment as Director, Secretary, Manager of licensed commercial banks

Part VII – Control Over Licensed Commercial Banks

Part VIIA – Vesting the Banking Business of a Licensed Commercial Bank

49F. (1) For the purpose of ascertaining the value of the vested business of the defaulting bank on the day immediately preceding the relevant date, the Director of Bank Supervision shall cause an audit of such vested business to be conducted by a qualified auditor appointed by him with the approval of the Monetary Board.

(2) The auditor appointed under subsection (1) shall submit a report to the Director of Bank Supervision within three months from the date of his appointment and the Director of Bank Supervision shall forward such report to the Monetary Board and the Monetary Board shall consider the report and if necessary, require the Auditor to furnish any further information, or explanations as it may consider necessary.

(3) The auditor appointed under subsection (1) shall examine the accounts of the defaulting bank and ascertain the correctness of the balance sheet and furnish a report stating— (a) whether he has or has

not obtained all the information and explanations required by him; (b) whether the balance sheet and accounts referred to in the report are properly drawn up so as to exhibit a true and fair view of the defaulting bank's affairs; and (c) the value of the assets and liabilities of the vested business.

Part VIII – Liquidation of Licensed Commercial Banks Incorporated Within Sri Lanka and Closure of Branches of Licensed Commercial Banks Incorporated Outside Sri Lanka

Part IX – Abandoned Property

Part IXA – Licensed Specialised Banks

Part X – General

Part XII – Interpretation

“ qualified auditor ” means—

(a) an individual who, being a member of the Institute of Chartered Accountants of Sri Lanka or of any other Institute established by law, possesses a certificate to practise as an Accountant, issued by the Council of such Institute;

(b) a firm of Accountants each of the resident partners of which, being a member of the Institute of Chartered Accountants of Sri Lanka or of any other Institute established by law, possesses a certificate to practise as an Accountant, issued by the Council of such Institute;

Appendix 11. International Standards and Guidelines on Professional Arrangements

1. Overview

The IFAC Board created a Compliance Committee in May 2000. The Committee is one of several initiatives designed to strengthen IFAC and the international profession. Its primary responsibilities are: (i) monitoring the relevance, sufficiency, and efficacy of IFAC membership obligations; (ii) monitoring member body compliance with these obligations; (iii) recommending actions to the IFAC Board and Council in respect of membership obligations; (iv) reviewing the investigative and disciplinary processes of member bodies, and reporting and making recommendations on these to the IFAC Board and Council; (v) considering how member bodies might best be encouraged, or if necessary, required to comply more closely with such obligations; (vi) devising schemes to assist member bodies to comply more closely and considering whether additional powers are required to enforce compliance with membership obligations; and (vii) implementing agreed policy in this area. The Compliance Committee will also work closely with members of the Transnational Audit Committee (TAC) in its monitoring of the members of the IFAC Forum of Firms (FOF) once these entities are fully established.

As an IFAC member body, the IFAC Compliance Committee will monitor the ICASL. Table 17 sets out relevant international guidelines with respect to the accountancy profession. IFAC has also established a *Money Laundering Task Force*. The task force has obtained information from around the world on what other professional bodies are doing and is currently analyzing these activities. This is a first step in determining its scope of activities. Included in the work of the task force will be consideration of whether standards will be developed to help member bodies and their members to address money laundering and related issues.

Table 17. International Guidelines for the Accountancy Profession

World Trade Organization (WTO): General Agreement on Trade in Services (GATS)	The criteria for recognizing professional qualifications may not exceed what is necessary to ensure the quality of service. Each country is expected to have a methodology for comparing professional qualifications and this must be applied in a fair and consistent manner to all applicants.
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Table 17. International Guidelines for the Accountancy Profession (*continued*)

IFAC	<p>IFAC pronouncements cover several areas:</p> <ul style="list-style-type: none"> • Education Guidelines and Standards. IFAC's Education Committee issues International Education Standards (IESs) and International Education Guidelines (IEGs). The IESs are intended to establish the essential elements on which education and training programs, both pre-qualification and post-qualification, for all accountants should be founded. The IEGs promote good practice and or provide good advice. They are based on careful study of the best practices and most effective methods for dealing with the issues being addressed. • Code of Ethics for Professional Accountants. This is intended to serve as a model on which to base national ethical guidance. It sets standards of conduct for professional accountants and states the fundamental principles that should be observed by professional accountants in order to achieve common objectives. • Statement of Policy of Council: Implementation and Enforcement of Ethical Requirements.¹³⁸ This statement sets expectations and provides guidance on disciplinary action, including punishment and publicity. • Assuring the Quality of Professional Services. This statement sets expectations on quality control policies and procedures for member bodies and professional firms.¹³⁹
Confederation of Asian and Pacific Accountants (CAPA)	<p>CAPA's Guide on the Essential Components of a Professional Accountancy Body¹⁴⁰ covers: (i) Admission / Advancement Standards; (ii) Full Membership Requirements; (iii) CPE; (iv) Technical Standards; (v) Quality Assurance / Peer Review Program; (vi) Registration as Accountant/Auditor; (vii) Disciplinary Rules; (viii) Management and Administrative Structures; (ix) Governance; and (x) External Affiliations / Memberships.¹⁴¹</p>

¹³⁸ IFAC. 1998 January. *Statement of Policy of Council: Implementation and Enforcement of Ethical Requirements*. New York: IFAC.

¹³⁹ IFAC. 1999 August. *Assuring the Quality of Professional Services*. New York: IFAC.

¹⁴⁰ CAPA. 1998. *Guide on the Essential Components of a Professional Accountancy Body*. Kuala Lumpur: CAPA.

¹⁴¹ Further details are provided in: Narayan, Francis B., Ted Godden, Barry Reid, and Maria Rosa Ortega. 2000. *Financial Management and Governance Issues in Selected Developing Member Countries: A Study of Cambodia, People's Republic of China, Mongolia, Pakistan, Papua New Guinea, Uzbekistan, and Viet Nam*. Manila: ADB. p. 27.

Table 17. International Guidelines for the Accountancy Profession (*continued*)

UNCTAD ISAR	<p>In February 1999, UNCTAD issued a report on accounting education and qualifications.¹⁴² The report provides a useful set of benchmarks in respect of these issues, in particular:</p> <ul style="list-style-type: none"> • Guideline for a Global Accounting Curriculum and Other Qualification Requirements including (i) requirements for the qualifications of professional accountants; and (ii) a guideline for national systems for the qualifications of professional qualifications. • Global Curriculum for the Professional Education of Professional Accountants (including: (i) organizational and business knowledge; (ii) information technology; and (iii) accounting and accounting-related knowledge.
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Furthermore, ISAR has initiated a project to assess the competence of accountants. The objective of the project is to rate professional accounting qualifications from around the world and, in doing so, create impetus for improvements and support international skill transferability.¹⁴³

2. Membership Requirements

Education

IFAC and ISAR have published guidelines on education requirements. The IFAC guidelines, such as IEG 9, provide an overview of what is expected. The ISAR guidelines are more useful in a practical sense as they suggest a detailed curriculum structure and contents.¹⁴⁴

Experience

With regards to practical experience, international guidelines state that:

An appropriate period of relevant experience in performing the work of professional accountants must be a component of a pre-qualification

¹⁴² UNCTAD. 1999. *International Accounting and Reporting Issues: 1999 Review*. United Nations.

¹⁴³ Narayan, Francis B., Ted Godden, Barry Reid, and Maria Rosa Ortega. 2000. *Financial Management and Governance Issues in Selected Developing Member Countries: A Study of Cambodia, People's Republic of China, Mongolia, Pakistan, Papua New Guinea, Uzbekistan, and Viet Nam*. Manila: ADB. p 29.

¹⁴⁴ UNCTAD. 1999. *International Accounting and Reporting Issues: 1999 Review*. United Nations.

program. The period of experience may vary due to differences in the environment in which professional accountants offer their services. However, this period should be long enough to permit prospective accountants to demonstrate they have gained the knowledge, skills and professional values sufficient for performing with professional competence and for continuing to grow throughout their careers. This objective cannot normally be met in a period of less than three years.

Paragraph 49—IEG 9.

Moreover, IFAC recommends that practical experience requirements must be considered when professional bodies seek mutual recognition of qualifications.¹⁴⁵

Continuing Professional Education (CPE)

IFAC and ISAR recommend a minimum of 30 hours of CPE per year, or a minimum of 90 hours in every three-year period, of structured learning activity.¹⁴⁶

3. Quality Control and Assurance

“In the case of professional accountants in public practice, the implementation of appropriate quality control policies and procedures is the responsibility of each firm of practicing accountants. The task of encouraging and assisting firms of practicing accountants to maintain and improve the quality of professional services is primarily that of the member bodies in each country. IFAC believes that the member bodies have the responsibility to take appropriate steps to achieve that objective in the legal, social, business, and regulatory environment prevailing within their countries.”

– IFAC (August 1999)¹⁴⁷

In relation to quality control and assurance, IFAC suggests that:¹⁴⁸

- Member bodies should adopt or develop quality control standards and relevant guidance that require firms of practicing accountants to establish the quality control policies and procedures necessary to

¹⁴⁵ IFAC. 1995 June. *Statement of Policy of Council: Recognition of Professional Accountancy Qualifications*. New York: IFAC. Paras. 22-25.

¹⁴⁶ IFAC. 1998 May. *International Education Guideline (IEG) 2: Continuing Profession Education*. New York: IFAC.

¹⁴⁷ IFAC. 1999 August. *Assuring the Quality of Professional Services*. New York: IFAC.

¹⁴⁸ *Ibid.*

provide reasonable assurance of conforming with professional standards in performing services. The nature and extent of a firm's quality control policies and procedures depend on a number of factors, such as the size and nature of its practice, its geographic dispersion, its organization and appropriate cost/benefit considerations. Accordingly, the policies and procedures adopted by individual firms will vary, as will the manner in which the policies and procedures themselves and compliance with them are documented.

- Member bodies should develop quality review programs designed to evaluate whether firms of practicing accountants have established appropriate quality control policies and procedures and are complying with those policies.
- Member bodies should establish quality review programs designed to evaluate whether firms of practicing accountants have complied with relevant professional standards for assurance engagements.
- Member bodies should require firms of practicing accountants to make appropriate improvements in their quality control policies and procedures, or in their compliance with those policies and procedures, when the need for such improvement is identified. Where firms fail to comply with relevant professional standards, the member body should take appropriate corrective action. Member bodies should also take such educational or disciplinary measures as indicated by the circumstances.

As a basic condition, IFAC emphasizes that implementation of an adequate self-regulatory program cannot be effected until firms of practicing accountants in a country are bound by an appropriate code of ethics and also by adequate standards governing accounting principles and engagements to provide professional services. The IFAC Code of Ethics for Professional Accountants, its ISAs and the IASs issued by the IASB all provide guidance for such standards.

Box 4. Professional Quality Assurance in the People's Republic of China

The People's Republic of China provides one example of how a quality assurance program can be implemented.¹⁴⁹ From July 1997 to March 1999, China conducted a nationwide rectification campaign of the accounting market. The campaign had four stages:

- Self-inspection. In the six months to December 1997, around 6,700 accounting firms conducted self-inspections. The self-inspections covered around 50 percent of their 1996–1997 activities. Just under 1.5 million business reports were inspected; of these, 26 percent were considered to be either defective or in need of correction.
- Focus Groups and Field Inspections. In January 1998, local CPA Institutes established working groups. In the following six months, these working groups conducted field inspections of 5,800 firms.
- Inspection Reviews. From July to the end of October 1998, 192 people selected by the Chinese Institute of Certified Public Accountants (CICPA) reviewed the inspections conducted in stages I and II. The reviews focused on 405 accounting firms.
- Reexamination. From November 1998 to March 1999, CICPA reexamined the qualifications and status of qualified accountants and accounting firms.

As a consequence of the campaign almost 12,700 individual CPAs were either forced to withdraw from the profession or were disciplined (25 percent of CPAs). Many of these were older members, who had not passed the uniform accounting examination, and around 580 accounting firms withdrew from the profession or had their licenses cancelled. Warnings and punishments were issued to a further 2,000 accounting firms (43 percent of firms).

CICPA judged the campaign to be a success based on the following evidence.¹⁵⁰ First, during the period of the campaign, 6,300 newly qualified accountants joined the profession. The net effect was to substantially improve the profession's age structure and knowledge. Second, to address problems that were identified in the inspections, 85 percent of accounting firms substantially improved their internal-management practices; improved professional rules; implemented or improved quality-control systems; increased training; and in doing so, effectively eliminated the problems that had been identified. Third, in 1998, the level of "non-clean" audit opinions given on listed companies rose dramatically (to around 12 percent of audit reports) which (arguably) indicated improved professional quality and ethics. Fourth, the credibility of CPAs in the eyes of the public, as measured by a media survey, climbed from 45 percent in 1996, to 81 percent in June 1998.

¹⁴⁹ Narayan, Francis, B. and Barry Reid. 2000. *Financial Management and Governance Issues in the People's Republic of China*. Manila: ADB. pp. 35-39.

¹⁵⁰ Yong, Li. 1999. The Reform, Regulation and Opening-up of China's Accounting Market. *Contemporary Issues in China Accounting and Finance: Policy and Practise*. Oxford University Press. p. 282–283.

Appendix 12. ICASL Examination Syllabus

1. Introduction

The ICASL provides training and administers examinations to Registered Students. The Institute's qualification structure comprises four levels: Foundation, Intermediate, Final I and Final II. Educational arrangements regarding these courses are described on page 2. The following subsections provide curriculum details.

2. Foundation Examination Syllabus

The Foundation examinations can be answered in Sinhala, Tamil or English.

Paper	Objectives and Coverage
Introduction to Financial Accounting (including Systems and Procedures)	<p>Aim: To assess ability to: (i) appreciate theory and basic assumptions and concepts in financial accounting and their applications in recording transactions; (ii) understand the operation of financial accounting systems; (iii) prepare financial statements of business entities; and (iv) appreciate systems, procedures and controls.</p> <p>Contents:</p> <ul style="list-style-type: none">▪ General principles of financial accounting▪ Understanding of preliminary accounting records and their functions.▪ Assets and liabilities▪ Stocks and methods of valuation▪ Control accounts and self-balancing ledgers▪ Accounting for sole proprietorships and partnerships▪ Manufacturing accounts▪ Income and expenditure accounts▪ Accounting for specialized transactions▪ Systems and procedures
Introduction to Business	<p>Aim: To assess ability to appreciate the manner in which a business is operated in its external environment.</p> <p>Contents:</p> <ul style="list-style-type: none">▪ Basic economic problems of society▪ Elementary theory of price▪ National income and its computation▪ Money and price level▪ Principles of public finance▪ International trade▪ Documents, practices and elementary legal environment in commerce.

APPENDIXES

Paper	Objectives and Coverage
Introduction to Decision Making Techniques (Financial Mathematics, Statistics and Elements of Operations Research)	<p>Aim: To ensure that the candidates have acquired an understanding of decision-making techniques.</p> <p>Contents:</p> <ul style="list-style-type: none">▪ Basic mathematical tools such as logarithms, arithmetic and geometric progressions, binomial theorem, differentiation etc. used in financial decision making processes.▪ Collection and grouping of numerical data.▪ Measures of central tendency and dispersion▪ Probability, and probability distributions▪ Sampling distribution of the mean and proportion, correlation and regression.▪ Time series analysis - additive and proportional models, index numbers▪ Statistical quality control▪ Elements of Operations Research Basics of linear programming (graphical and simplex methods).▪ Conditional and expected values.▪ Basics of transportation and assignment problems▪ Basics of inventory control
Business Communication I	<p>Aim: To assess ability to use English language for business communication</p> <p>Contents:</p> <ul style="list-style-type: none">▪ Basic English skills▪ Vocabulary▪ Writing skills▪ Comprehension

3. Intermediate Examination Syllabus

The Intermediate examinations can be answered in Sinhala, Tamil or English.

Paper	Objectives and Coverage
Business Communication II (English)	<p>Aim: To assess the ability to communicate in the English Language (oral and written) and to comprehend information.</p> <p>Contents:</p> <ul style="list-style-type: none">▪ Grammar and vocabulary▪ Writing skills▪ Reading for comprehension

Paper	Objectives and Coverage
Auditing	<p>Aim: To assess knowledge of the principles, techniques and procedures involved in a limited company audit.</p> <p>Contents:</p> <ul style="list-style-type: none"> ▪ General ▪ Accounting and auditing concepts ▪ Auditor's position ▪ Audit planning and control ▪ Quality control ▪ Performance of an audit ▪ Assessment of accounting systems and internal controls ▪ Techniques and procedures ▪ Reporting ▪ Miscellaneous (including: (i) differences between internal and external audit; and (ii) audit and internal control implications of computerized business environments).
Commercial Law and Tax	<p>Aim: To assess the extent to which candidates: (i) understand the branches of commercial law and labor law with which they will be concerned in the normal course of their professional work; and (ii) possess a knowledge of the law of taxation and its application to individuals at an elementary level.</p> <p>Contents:</p> <ul style="list-style-type: none"> ▪ Commercial law ▪ Law of contract ▪ Negotiable instruments ▪ Special situations (i.e., application of the basic principles of contract law) ▪ Labor law ▪ Income tax ▪ Special cases (i.e., application of income tax principles to the taxation of partnerships and definition of a child according to the Inland Revenue Act). ▪ Government and Provincial Council Turnover Tax and GST
Business Finance and Decisions	<p>Aim: To assess the extent to which candidates understand costing principles and their application: financing methods and decisions: information technology systems and use of the computer as a tool for information analysis.</p> <p>Contents:</p> <ul style="list-style-type: none"> ▪ Systems of costing ▪ Standard costing and variance analyses ▪ Other costing techniques in budgeting and budgetary control ▪ Introduction to finance and decisions ▪ Management information systems

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Paper	Objectives and Coverage
Financial Accounting	<p>Aim: To assess the extent to which candidates: (i) understand the theory and basic assumptions and concepts in financial accounting and their application in recording transactions; and (ii) are able to prepare and interpret financial statements of business entities.</p> <p>The financial accounting syllabus is designed to extend the conceptual understanding and knowledge of accounting acquired at Foundation level so that underlying principles can be applied to practical accounting problems. Specifically this syllabus expects: (i) full knowledge of SLAS 3, 5, 8, 9, 10, 11, 12, 15 and 18; and (ii) awareness of SLAS 21, 25, 26 and 27.</p> <p>Contents:</p> <ul style="list-style-type: none">▪ Company accounts and group accounts (Candidates should be able to: (i) prepare and present financial statements for limited companies in conformity with legal requirements and generally accepted accounting practice; and (ii) identify the circumstances in which group accounts are required and prepare and present them in conformity with legal requirements and generally accepted accounting practice)▪ Partnerships and sole traders▪ Special cases (special features of accounting for a range of special entities)▪ Miscellaneous accounting (bookkeeping and accounting relating to a range of specialized business activities)▪ Analysis of limited company financial statements

4. Final I Examination Syllabus

The Final I examinations can only be taken in English.

Paper	Objectives and Coverage
Corporate Law	<p>Aim: To assess the extent to which candidates understand the provisions governing the formation, financing, accounting, auditing, administration and liquidation of companies.</p> <p>Contents:</p> <ul style="list-style-type: none">▪ Corporate forms of business▪ Formation of a company and commencement of business▪ Share and loan capital▪ Management and administration▪ Inspection and investigation▪ Winding up▪ Other legislation

Paper	Objectives and Coverage
<p>Advanced Financial Accounting and Reporting</p>	<p>Aim: To assess the extent to which candidates are able to: (i) prepare financial statements in compliance with applicable laws, Sri Lanka Accounting Standards, and generally accepted accounting practices; (ii) analyze and interpret financial statements.</p> <p>Contents:</p> <ul style="list-style-type: none"> ▪ Company accounts and group accounts (including: (i) preparing limited company financial statements; (ii) recommending accounting treatments for items in the financial statements of limited companies and groups; (iii) preparing and presenting financial statements in accordance with SLASs, legal requirements and generally accepted accounting practices; (iv) identifying when group accounts are required and preparing and presenting them in conformity with SLASs, legal requirements and generally accepted accounting practices). ▪ Partnerships ▪ Special cases ▪ Miscellaneous accounting ▪ Alternative Bases for accounting ▪ Analysis of limited company financial statements
<p>Management Accounting</p>	<p>Aim: To assess the extent to which candidates have acquired a sound knowledge in decision-making techniques and their application in management accounting, and are able to analyze the position and performance of a business.</p> <p>Contents:</p> <ul style="list-style-type: none"> ▪ Business decisions ▪ Decisions under uncertainty ▪ Operations research techniques used in decision making ▪ Internal performance measurement and transfer pricing ▪ Performance measures ▪ Ratio analysis ▪ Working capital management ▪ Stock management ▪ Debtor/creditor management ▪ Cash management ▪ Costing and variance analysis - activity based costing ▪ Use of variance analysis

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Paper	Objectives and Coverage
Management Information Systems and Information Technology	<p>Aim: To assess the extent to which candidates understand and are able to apply management information systems requirements.</p> <p>Contents:</p> <ul style="list-style-type: none">▪ Management information▪ Controls and standards▪ Systems development▪ Application systems and end-user systems▪ Tools and techniques▪ Security

5. Final II Examination Syllabus

The Final II examinations can only be taken in English.

Paper	Objectives and Coverage
Financial Management	<p>Aim: To assess understanding of theory and practice of financial management, knowledge of the financial environment and ability to apply analytical techniques in decision-making.</p> <p>Contents:</p> <ul style="list-style-type: none">▪ Financial evaluation▪ Investment decisions (provide advice and evaluate information for the management of a Sri Lankan business on the likely financial consequences of taking specified investment decisions).▪ Decisions under uncertainty▪ Valuation▪ Sources of finance▪ The financing decision▪ The dividend decision▪ Financial and capital markets▪ Treasury management▪ Management of working capital▪ Public finance (Candidates should be able to explain briefly the government budgeting process and the role of foreign aid and describe project appraisal in the public sector in terms of the differences from private sector project appraisal).

Paper	Objectives and Coverage
Advanced Auditing	<p>Aim: Assess knowledge of audit principles, techniques and procedures.</p> <p>Contents:</p> <ul style="list-style-type: none"> ▪ General ▪ Accounting and auditing concepts ▪ Auditor's position ▪ Planning and control of an audit ▪ Planning an audit ▪ Controlling and recording audit work ▪ Quality control ▪ Performance of an audit ▪ Assessment of accounting systems and internal controls ▪ Techniques and procedures ▪ Reporting ▪ Special audits ▪ Miscellaneous
Advanced Taxation	<p>Aim: To assess knowledge of the principles of Income Tax, Surcharge on Income Tax, Turnover Tax, Defense Levy and Stamp Duty and ability to apply this knowledge to practical situations.</p> <p>Contents:</p> <ul style="list-style-type: none"> ▪ Income tax ▪ Special cases ▪ Tax administration ▪ Case law ▪ Government and Provincial Council Turnover Tax, GST and Defense Levy ▪ Stamp duty ▪ Tax planning (ability to provide advice on tax matters, including situations where more than one tax is involved)
Strategic Planning and Management	<p>Aim: To assess understanding of the: (i) processes and techniques of strategic management, the impact of the environment on organizational goal setting and strategy formulation, and the importance of the role of the chief executive of an organization; and (ii) importance of marketing and human resources development in achieving organizational goals and objectives.</p> <p>Contents:</p> <ul style="list-style-type: none"> ▪ Strategic planning and management ▪ Strategic management ▪ Business analysis ▪ Business planning ▪ Marketing management ▪ Human resources development

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Paper	Objectives and Coverage
Advanced Financial Accounting and Reporting	<p>Aim: To assess the extent to which candidates are able to: (i) prepare financial statements in compliance with applicable laws, SLASs and generally accepted accounting practices; (ii) analyze and interpret financial statements.</p> <p>Contents:</p> <ul style="list-style-type: none">▪ Company accounts and group accounts (including: (i) preparing limited company financial statements; (ii) recommending accounting treatments for items in the financial statements of limited companies and groups; (iii) preparing and presenting financial statements in accordance with all existing SLASs, legal requirements and generally accepted accounting practices; (iv) identifying the circumstances in which group accounts are required and preparing and presenting them in conformity with all existing SLASs, legal requirements and generally accepted accounting practices).▪ Partnerships▪ Special cases▪ Miscellaneous accounting▪ Alternative bases for accounting▪ Analysis of limited company financial statements
