



CREATING OPPORTUNITIES TO FOSTER LEADERSHIP & ENTREPRENEURSHIP

"12 STRONG PERSONALITIES, ONE STRONG MESSAGE"



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VISION

To be the most recognized qualification for middle level accounting professionals.

MISSION

To provide our students a route to success in life by helping them become competent middle level accountants who add value to their employers.

We provide our members an opportunity for career progression and networking, our staff an empowered and enjoyable working environment, and education service providers an opportunity to develop their delivery competency while co-operating for mutual gain with accounting & academic institutions.

VALUES

Professionalism Ready to change **Customer oriented** Passion for winning Respect for all Work together

STRATEGIC OBJECTIVES

Maintain healthy student and member population Generate value addition to the membership Create recognition of the qualification

Foster multi-skilled competent staff Enhance relationships with professionals

and academic institutions







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12 Strong Personalities, One Strong Message

Innovation and technology change the world, challenge your job role and offer abundant opportunities. Think differently and grab'em!

We have interviewed prominent industry leaders and intellectuals and their perspective on not only of the role of AAT members but also of the background in which the AAT members should operate is discussed in the coming pages. Middle level accounting professionals are the first line of defense in governance of an organization.

Therefore, they have to have a thorough understanding of the basic principles of accounting. Whether the routine work is taken over by the machines or otherwise,

basic decisions and judgements should be taken by the human beings and that will be by the Middle Level Accountants.

Whatever the role they play in the overall profession, their integrity and the respect they must earn is of paramount importance. There are **emerging opportunities** as well for the Middle Level Accountants. However, they should not forget the core of their learning and training. They can align with the emerging small and medium enterprises spread throughout the country and work with them side by side providing various services to them not only accounting and taxation but also in the capacity of financial and business advisors.

This can be coupled with the entrepreneurial abilities of the members, some of which can be developed and some of which should be inherited. The world is changing, the knowledge is changing, the background in which the knowledge operates is changing and hence the role of the Middle Level Accountants is also changing. Therefore, the attitudes and the profile of the Middle Level Accountants should be changed. Middle Level Accountants, wherever they work, should be a front-line force for basic accounting $\,_{\odot}$ theory, corporate governance and good and effective practices of business while influencing the final outcome form the basic level with an entrepreneurial mindset.



Message from the President of AAT Sri Lanka



As the incumbent president of AAT Sri Lanka, I am pleased to share some thoughts of mine with the flagship magazine of our association, InSearch. I was indeed delighted to feel the difference the InSearch 2018 themed creating opportunities to foster leadership and entrepreneurship brings in with a touch of class.

It is my belief that this magazine caters to the ever increasing need of being updated on the contemporary trends that are created by the waves of technology. It further extends avenues for you to be prepared to embrace the affiliated challenges ahead of us as accounting professionals and most importantly be inspired by the opportunities that are getting explored. It is doubtless that as accounting professionals, we all are already equipped with the necessary technical know-how in accounting and hence what adds value is going out of the box and mapping our profession with the industry and technology. I'm happy to commend the novel approach of the Membership Committee aligning with their theme through the initiatives taken to deliver an amazing magazine which in my belief will receive a place on the coffee table or somewhere handy.

Jazri Magdon Ismail

Message from the Chairman of the Membership Committee



The world in general and the accounting profession in particular are challenged with inevitable changes out of which technology takes the paramount lead while climatic and political vulnerabilities are also being influential. In pursuit of understanding on the transformations taking place around us, Membership Committee

initiated a novel approach through the signature member journal "InSearch" where the exposure, insights and opinions of country's top personalities in policy making, academia and industry are incorporated.

Further to the initiatives of the Membership Committee towards the development of the member fraternity aligning with its theme "Create opportunities to foster leadership and entrepreneurship", it is in the process of revisiting the profile of the AAT Member. AAT Members are required to be the front line of defense and become influencers and not just interpreters of financial statements.

I would like to appreciate the tireless efforts of the Interview Team which represents personnel from inside and outside the Membership Committee, the Governing Council, CEO and the Staff of AAT. I'm also thankful to the valued resource personnel who were generous enough to contribute towards a better tomorrow for Sri Lankans.

I wish to invite you to experience a new art of reading with InSearch 2018 through which you not only get what you have always been aspiring to know in your field of work but those interesting and challenging trends of the world as well.

Lakshman Abeysekera

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WHAT IS MOST IMPORTANT TO THE ACCOUNTANCY

PROFESSION IS INTEGRITY AND THE RESPECT IT MUST EARN



What are the memories you most cherish in terms of professional as well as personal aspects with your visit to Sri Lanka and especially to AAT Sri Lanka?

At a professional level, one of the things I will remember most was the induction of your new President. As I was listening to President Magdon's speech, I was struck not just by his passion for the profession but the size of the opportunity AAT Sri Lanka has to make a big difference. In particular he highlighted AAT's agenda to offer young people in rural Sri Lanka an opportunity to join the world's most exciting, relevant profession!

I was also truly delighted to see, for the first time, all three of IFAC's Sri Lankan members visibly working with each other. It was important for the nation's leaders to see the profession united with one voice at meetings that included Prime Minister; State Minister of Finance; Chairman at the Securities and Exchange Commission; and Governor of the Central Bank.

At a personal level—and being a major cricket fan—I was very fortunate to have had the opportunity to visit Galle International Stadium. It was excited for Sri Lanka—and for the cricketing world—to see how far the reconstruction effort had progressed. I think it embodies much of Sri Lanka's fighting spirit!



How do you perceive the value placed on Accounting Technicians in the accounting profession globally?

Accounting technicians play a huge role in the organizations for whom they work, across both public and private sectors. Reliable financial information is absolutely critical for the sustainability and growth of any organization—particularly **SMEs.** The World Bank estimates that formal SMEs contribute up to 60% of total employment and up to 40% of national income in emerging nations.

The bank also estimates that 70% of micro, small and medium-sized entities lack access to credit. Currently, it's estimated that there's a US \$1.2 trillion credit gap for formal SMEs. This is one of the reasons IFAC participates in the IFAC B20 SME Development Task force—to encourage G20 governments to ease the burden for SMEs.

When a small business is able to demonstrate credible, reliable financial information, it has far greater chance of accessing the capital it needs to grow. Not only do accounting technicians play a crucial role in making small businesses sustainable, they increase the chance of accessing capital that enables growth.

What do you think about the SME sector of an economy which can create opportunities for the **Accounting Technicians?**

Sri Lanka has a vibrant SME community and it contributes over half of national income. I think AAT provides a real service to the nation by encouraging young people into the profession a network of skilled professionals throughout the country. For

business, AAT members encourage transparency, accountability and optimization of resources.

And as a major support for the nation's SME sector, AAT Sri Lanka provides excellent insight on SME policy to both government and businesses alike.

What do you propose to enhance the value for AAT Members?

I was very impressed with the way AAT Sri Lanka is charting a path to the future. I would encourage every AAT Member to engage with AAT Sri Lanka's technology initiatives and programs. With its strong focus on youth engagement, I think this is a real opportunity for AAT Sri Lanka to fully engage the innovative spirit of next generation talent. Young people use technology in ways that were unimaginable when I was starting out in the profession!

What is the single biggest challenge for Accountancy profession currently and in the future?

You might expect me to say technology—and certainly, that is crucial. But there is nothing more important to the profession than its integrity and the respect it must continually earn. We must be constantly vigilant. Our Code of Ethics is the rock on which the **profession is built.** We must always speak truthfully and behave ethically to build trust and inspire confidence that we are public interest rolemodels.

What in your opinion are the challenges arising from digitization for Accountants?

The biggest challenge is staying abreast of new technology and understanding its impact. I spoke about the A, B, C and D of

technology - identified by the Institute of Chartered Accountants of England and Wales. They are Artificial Intelligence; Blockchain; Cybersecurity and Data. Each of these four areas are making big in-roads into our profession but we should absolutely embrace them. Not fear them. They will make our lives and our profession more efficient and effective, but it will be a very long time before they can interpret nuance or exercise true human judgement.

How can Accountants face such challenges?

Keep your professional skills up-todate, undertake further study and improve your technical skills and read widely! Know what's coming around the corner and observe international trends.

What skills will be required by the accounting professionals in adapting to new technological revolutions and future risks?

Adaptability and agility. Accountants are providers of great advice to their clients - and there's no more adaptable or agile sector of the economy than SMEs! We need to remember that many of our clients are going to be—if not already—using tools like artificial intelligence at some point in the future. Cyber security is already a huge issue – and no SME can afford to have their clients' personal data stolen. We need to understand the technology in order to advise our clients on the best ways to, for example, protect their payments systems from cyber threats. Small businesses rely on payments
systems but a great SME Accountant
will ask "how well is that system
protected? Have you established
three-factor authentication
protocols?"







AAT SRI LANKA GOVERNING COUNCIL WITH THE PRESIDENT OF IFAC AT THE VISIT OF IFAC PRESIDENT TO AAT.

What new professions will take over the place of accountancy in the future?

There will always be need for highly skilled professional Accountants like AAT Sri Lanka members.

Technology will not any time soon replace your jobs, but it will make them more interesting. Deeper insight and information provided by technology will enable Accountants to provide more valuable advice to their clients. I think we'll see new and different sorts of collaboration between disciplines: data scientists working with forensic accountants for example. And I believe technology will help facilitate finding new talent by offering different educational pathways beyond those traditionally used today.

Adaptability and agility are the skills required by the accounting professionals in adapting to new technological revolutions and future risks.

Are there diverse career options for young people available in the accounting profession & if so, what are they?

So glad you asked this question! I think there's never been a more exciting time to become an Accountant and that this is the profession to join if you're a young person who wants to make a big difference to society.

AAT Sri Lanka probably understands this better than most, but professional Accountants are threaded throughout the global economy. From small and medium practices through to large global accountancy networks, to academia and of course located within business operations.

I've been fortunate to travel around the world in service of the global profession as IFAC President and meet so many Accountants who have recognized their qualification is a passport to the world. And I have to say, at home in Australia, I know many Sri Lankan Accountants. I always say, however, that it is important Accountants return home or find other ways to ensure their home nation benefits from their international experience.

Being a strong and influential female character, what would you like to tell female Members of AAT Sri Lanka?

Don't wait until you feel you're fully prepared before you raise your hand and take on a new task or promotion. Raise your hand now and actively seek growth opportunities – you own your careers, not someone else.

And don't forget the value of volunteering your skills to your community. It's a great opportunity to extend your network, do interesting and different tasks, take on leadership opportunities and give back to the community!



SMES ARE CRUCIAL FOR THE ECONOMIC DEVELOPMENT OF SRI LANKA

Indira MalwatteChairperson,
Export Development Board

How can Export
Development Board (EDB)
support young accounting
professionals (AAT
Members) to be developed
as Entrepreneurs & let
them avail of the benefits
and opportunities offered
for the projects for
Entrepreneurs?

Accounting is a sector that comes under the umbrella of Business Process Management (BPM) sector which the EDB is pro-actively engaged in, to promote and develop. In the past ten years, the Sri Lankan BPM sector together with ICT sector has expanded its exports by 300% to reach \$ 970 Million in export earnings in 2017. These two sectors have also provided employment to more than 80,000 professionals while contributing to 26% of Sri Lankan services exports. The progress of the ICT-BPM sector has shown great potential to increase

export revenue while contributing substantially to the GDP of the country (1.1% in 2017).

Therefore ICT-BPM sector has been recognized by including it as a priority sector of the Sri Lanka's National Export Strategy (NES). This strategy is a five-year endeavor that was established through a consultative process involving both public and private sector stakeholders in the country.

Through the implementation of NES, the EDB seeks to foster and develop skills of individuals in the ICT-BPM sector and to develop start-up ecosystems to encourage locals and international investor interest in the sector.

We would be able to partner with AAT in providing consultancy and finance advisory to those small and medium exporters registered with us who very much lack financial discipline so that they could be groomed to fast track their business journey more successfully.





How can accounting professionals' service be linked to the export value chain?

In line with other aspirations of the National Export Strategy of making Sri Lanka a vital trade and innovation hub in Asia, the NES seeks to position Sri Lanka as a global ICT-BPM destination. Professional Accountants are an integral part of this transformation.

Accordingly, a public –private
Advisory Committee for the ICTBPM industry was established,
operationalized and empowered.
This Advisory Committee is
responsible for overall coordination,
provision of rapid solutions
to regulatory and procedural
bottlenecks, policy guidance and the
monitoring of industry development
against the Strategy's strategic
objectives.

Sri Lankan BPM companies have asserted their competitiveness internationally. This competitiveness stems from reasonable costs, high quality services and having an educated workforce with exceptional skills. This strategy will further Sri Lanka's aspirations to achieve national level branding of Sri Lanka's ICT-BPM sector. This branding will support SMEs and larger companies to increases overall sector performance and to enhance visibility and market outreach.

Further, the Government has already taken initiatives to transform the Colombo Port City into an international Financial Centre.

This will play a significant role as a financial hub mainly between Dubai and Singapore. It is further envisaged to engage in an efficient financial process via a new approach while working closely with India,

Middle East, and European countries in particular generating opportunities for Sri Lankans to earn foreign exchange while creating over 15,000 new job opportunities under the initial phase of the project.

What opportunities are there for young females in the country & AAT Sri Lanka female Members and Passed Finalists?

Sri Lanka aims to become a global ICT-BPM destination and to unlock sector growth by a factor of five. SLASSCOM foresees the industry achieving US \$ 5 billion in exports by 2022, creating 200,000 direct jobs and launching 1,000 startups. This will create conditions that are favourable to starting new companies, operating businesses efficiently, growing markets and building industry branding.

However, capitalizing on entrepreneurship to economically empower women and generate inclusive growth in Sri Lanka will require reducing various bottlenecks.

The Asian Development Bank (ADB) has allocated more funding for the Women Entrepreneurs Finance Initiative (We-Fi) to

generate more resources for Sri Lankan women – led businesses. The We-Fi financing support ADB's SME Line of Credit Project to foster a better environment for female entrepreneurship and strengthens women skills and capabilities to run successful enterprises.

The ADB assistance towards Women- led businesses indicates the potential in Sri Lanka to develop businesses led by Women. The Government's assistance under the Vision 2025 program is also available for such businesses. Such opportunities would make it viable for foreign entities to look at forming partnerships with Womenled businesses in the SME sector.

What burning issues hinder Sri Lanka from reaching a developed status & what can SME sector do to support that?

SMEs are key players in the economy and the wider eco-system of firms. Enabling them to adapt and thrive in a more open environment and participate more actively in the digital transformation is essential for boosting economic growth and delivering a more inclusive globalization. Across countries at all levels of development, SMEs have an important role to play in achieving the Sustainable Development Goals (SDGs), by promoting inclusive and sustainable economic growth, providing employment and decent work for all, promoting sustainable industrialization and fostering innovation, and reducing income inequalities.

Sri Lanka was a pioneer in trade liberalization among the South Asian neighbors, where export-oriented jobs were strong contributors to poverty reduction. However with the beginning of the new millennium, Sri Lanka's share in global exports and as a share of GDP has been on the decline. Sri Lanka has also witnessed a decline in absolute earnings of exports and this decline in export share in the global market is reflected at the disaggregated level of exports. Country's export product categories have remained largely the same for nearly two decades.





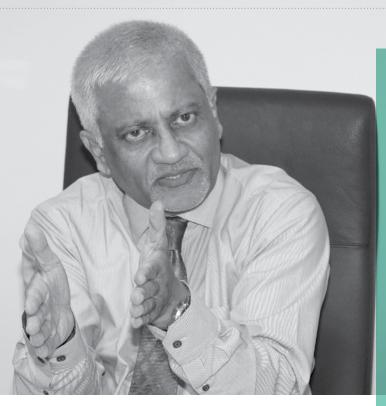
There has also been a notable shift in GPN (Global Production Network) trade away from developed countries and towards developing countries. Sri Lanka needs to plug into these value chain for it to maintain a sustained growth. The country is already engaged in parts and component manufacturing for the export industry and it indicates that Sri Lanka has the capability of linking in to the Global Value Chains with its current potential. I am happy to mention that, EDB is working closely with the industry and has identified potential manufacturers to be developed to ensure the sustainable production capacities in Sri Lanka while looking into the possibilities of exploiting the opportunities that exist in the

Automobile market especially in Southern India where the major automobile manufacturing units and allied industries are located. Further, Sri Lankan Electrical and Electronics industry is progressively stepping in to the global electronics valueadded supply chain with products and services such as boards and panels, insulated wires, printed circuits, transformers and finding acceptance amongst the most important global market leaders. Exports of services such as ICT/ BPM, wellness tourism, financial services, construction and other professional services have grown significantly in the last decade. These sectors have proven their ability to diversify their export market destinations.

SME participation in the transition to more sustainable patterns of production and consumption is crucial for the economic development of the country. Although the individual environmental footprint of small businesses may be low, their aggregate impacts can, in some sectors, exceed that of large companies. Reducing the environmental impact of SMEs by achieving and going beyond environmental compliance with existing rules and regulations in both manufacturing and services, is a key factor for success in the green transformation.



OPEN DIALOGUE WITH INDUSTRY IS NECESSARY TO IMPROVE THE QUALITY OF THE OUTPUT OF AAT



Professor Rohan Samarajiva, Chairman, Information and Communication Technology Agency of Sri Lanka (ICTA)

How can Sri Lanka use technology as a tool for development?

We are living in a market economy. That means, decentralized decisions are being taken about how people live their lives & how firms run their businesses. Now we are assisting in introduction of the E-governance services. Government is a provider of services to people and government has an obligation to be efficient in the use of tax payers' money. And in both these areas ICT can play a role. Around 27% of our population is currently engaged with

agriculture. But the next generation is not keen about spending their time under the sun or in fields. In countries like the USA, which are the major producers of agricultural products engage very much smaller percentage of the population in agriculture. The largest number of our population today is engaged in services. But the attraction is for the high end of services. That is where the accounting and software work comes in. People want to work in air-conditioned rooms and not in the field. So very clearly we need to develop high end or modern services sector in this country. In

our country, we cannot go into manufacturing as China did. So we really have to put our focus on value added agriculture, high end value added manufacturing and modern services including BPOs. In all these areas, Information and Communication Technologies will play an important role. But the whole idea is, if we are going to improve our export performance, we have to bring most of the suppliers into the loop. That's also been looked at in the Digital Economic Strategy.

The BPO sector in Sri Lanka has grown fast. HSBC came in some time back. We were behind India. Industry is moving from voice based services to data based services. Entrepreneurs in the software sector developed that sector. So Government played a very big role in developing the BPO. Today we have a shortage of trained personnel. We are going to do a workforce survey so that the people will know what the demand of human resources. Suppliers of HR such as AAT can take account of that. Colombo is a high cost city. When a BPO is running in the city, it has its advantages. However, we should try to move the industry to the provinces where costs are lower. I personally would like to see Jaffna emerging as the second knowledge based center. Although the education institutes in Jaffna produce graduates, there are no companies there for them to get trained at. There is potential in Galle and Kurunegala as well.



In the BPO industry in India layoffs have started. The reason is that the technology changes are taking place and services in the low end are being automated. So we have to be cautious. If you talk to SLASSCOM, they will say that they have serious skills problem in terms of the kind of people that they can get. These are the challenges we are facing.

What do you think about the school education system and usage of ICT in Sri Lanka?

You may have heard of the flipped class room. Lot of work is done online outside. The class room is for active engagement only. It is about making a space. It is about interacting with the teacher and fellow students and sharing ideas. We may not be able to use the same model here. Government planned to give tablets to students. Most of them are already exposed to this new technology such as computers and smart phones. Issue is how this new technology can be used in the class room as tools for learning and how do you equip the teachers to use this technology better. As long as you have an examination centric educational system, I am not sure whether you are going to get people using ICT a lot. Because, You can do exams without it. I think we should re-configure the examination system. We have now computerized examinations such as SAT (Scholastic Assessment Test). Students start answering the questions which can only be done online. Scoring is done while the students are answering. If the students are not scoring well they tend to get easier questions and if the students are scoring well, they tend to get harder questions. All the questions are coming from one question bank. We need to think about this. I think there could be a huge amount of work done in this area.

Can AAT members promote ICT?

Many of the ICT pioneers did not have ICT degrees. To be a pioneer you have to come from somewhere else. So in American Universities, most of the computer systems were set up by persons from other disciplines. I don't think I am the best person to answer this question. If you take Google, they have such a sophisticated HR policy that they don't even look at degree certificates, GPA, which school you attended etc. They actually conduct tests to find out whether you have the skills and attitudes that they want. If our people are focused on certificates, you have to produce the people with certificates. That is something the private sector which represents the demand side has to do. What we can do is, try to improve the information flow between the suppliers which means the educational institutions and the demand side. At ICTA we are doing the workforce survey to fill the gap.

Can Sri Lanka move in to manufacturing?

The conventional type of manufacturing in the world is not very open. Therefore we have to go for high-end manufacturing. For number of reasons there are limitations. Our labor costs are very high. Our energy cost is extremely high. So we have to be realistic. What we have to think about is lot of people don't understand how much the world has changed. We can talk about value chain. But in terms of production, it is more complex. In 2011 Bangkok was flooded and the factories elsewhere in the world were running out of parts. You should have high emphasis on risk assessment as well. High end manufacturing will have ICT embedded in it.



What are the ways of ensuring the quality of our output?

Talk to the people who are hiring your students. Have committees, have conversations, and have dialogue with people in the industry whom you think are potential employers for the students you are going to produce. Keep talking. This is happening in the US. Educational Institutes invite people in the industry and talk to them. Because we in the Universities who are in the supply side think that we can decide what is appropriate. We think we know the cutting edge. That is not true. We are arrogant about this. But we have to have conversations. The most advanced software is not in the Universities. it may be in the industry. Qualified ICT personnel in the industry do not use the knowledge they learnt at the universities. Knowledge keeps on changing. So this dialogue with the possible employers of your students is necessary.





AAT graduates wherever they work should be intrapreneurs

What is your view about the technological changes taking place today?

The world today has changed beyond our imagination and this is mostly because of the advancement in technology. In Sri Lanka there is an extensive discourse on the relationship between Humans and Machines. We are familiar with using smartphones, sending text messages, taking photographs and writing emails etc. but the world has moved beyond that. Today, the world has stepped into an era where Machine to Machine relationships are thriving. To survive in this world optimum efficiency is

important as your direct competition is with machines. It is evident that working with a machine is 100% more efficient than employing a human for that task.

I will give you a small example. We all have heard of Amazon. They have established a massive supermarket in Houstan. The company now runs a service where a link has been created between the refrigerator, company interface and the bank. Once the refrigerator has less stock of vegetables and other goods it communicates it to Amazon which

will take measures to send the needed goods to the doorstep of the individual.

This is only one example of the efficiency of machine to machine transaction and through this a number of man hours were saved. This can be an ideal solution for the labour shortage that will be caused due to the aging population in Sri Lanka and will no doubt reduce strikes. This can also be an opportunity for our youth who are increasingly technology oriented.



In what ways the entrepreneurship would help AAT graduates?

Entrepreneurship is the key to develop this country. When we consider entrepreneurship, China can be considered as one of the best examples. They changed their policies so as to encourage entrepreneurship. They do not offer their people free education, health etc. but they encourage people to become entrepreneurs as it is believed that it is a vocation that anyone can aspire to do. Being an entrepreneur is risk based and I believe it is through risks that we can move forward as a community. I identify myself as a risk taker. If I limit myself to routine office work till 4.30pm, my University will cease to progress. Therefore, I believe AAT students should inculcate a readiness to take risks, to build up their empire through entrepreneurship. They should be able one day to say that they are risk takers and that they are entrepreneurs. They should train to think differently, because they should become someone special and they should be able to give something more than a machine.

organization. Anybody can become an intrapreneur. AAT graduates wherever they work should be intrapreneurs. They have to become the changing agents in organizations which is to change for the betterment of the organization and themselves. It is only when the organization progresses that they can develop, get their promotions etc. For this they should be intrapreneurs; the change the world desperately needs.

How can we attract Foreign Direct Investments?

There is a concept called knowledge economy. People are unaware of what this is. Most of the countries now follow this index very closely. Some time back when investors wanted to invest in a foreign country they checked the indices such as literacy and life expectancy. Now they check the knowledge index as well. One pillar of that is ICT. Components of that are: how many people use internet and emails; how many of them use it daily; what percentage of them responds quickly, what is the availability of wi-fi in the country and what is the coverage etc.

Furthermore, there is another pillar called innovation. This is decided on aspects such as: how many patents you have as a country and how much annual income you can get from such royalties. They also consider indices of human capital such as: how many doctors per thousand persons etc. Finally they consider all of these aspects and that of the Capital Account of the country to calculate the final figure. This figure is paramount for an investor's decision to invest in a certain country. Therefore there is always a possibility that investors may opt to go to Vietnam, India and China without coming here. Thus, it is our duty to strive to get a higher value for these indices.

Everybody needs to contribute to the development of the country and everybody should give their maximum output. No one should be involved in destructive activities such as strikes. At present we have stringent labor laws where we can only hire and cannot fire. When the profitability of a company goes down we cannot retrench labour. Therefore, there is a hinderance to open up businesses and we should address this issue. Then we should be able to attract FDIs.

Everyone in this University building is full of smiles, because that is what we can offer people and our humanity should be inculcated with our ideas and attempts of creating a successful business.

Today there is a concept called intrapreneurship. Intrapreneurship is the act of behaving like an entrepreneur while working within a large







How does digital transformation influence the accounting profession and what is the changing role of the Accountant as a result of that?

To answer that question, I just want to touch upon what is happening around us. The environment that we interact in business is rapidly and drastically changing. Globalization forces us to interact or to do business with different parties in different markets. Digital transformation opens up many new opportunities, while intensifying competition too. Therefore businesses today are compelled to gear-up and to adapt to face fast

changing market dynamics and competitive environments. Digital transformation is already here and it changes our way of life. Today, contents, processes and workflows of organizations are being digitalized in order to remain competitive and efficient. Information processing has been augmented using RPA (Robotic Process Automation) such as BOTs, IoT-enabled distributed analytics, etc. Billions of smart devices have been seamlessly connected to share information in split of a second between markets and among people across borders. Technologies such as cloudcomputing, artificial intelligence or machine learning, augmented and virtual reality, big data analytics,

block-chain, etc. are heavily influencing how we do things in the future. Digital transformation is not only offering us enriched customer experiences but also shows customers endless possibilities for new and diverse experiences so that they can demand many new things. Therefore, in a world where everything is moving towards augmenting and digitalization, 'Accountants' are no exception.

As you may see much evidence around us, accounting function is fast moving in to clouds today. Traditional and routine accounting functions such as financial information processing, record keeping, reporting, costing, risk



management, analytics and control, invoicing, procurement and order processing, etc. are done through automated processes. We do not need humans to do those routine activities any more. Robots and Automated Programs can perform those routine functions in larger scales, faster and better than the people.

Under such circumstances, the key question that arises is 'will the accounting profession be obsolete in the future?' Let me give my views on this too. As I have understood, the core need for accounting is to assist organizations to understand financial performance for taking better business decisions. Even with the technology revolution, this core need remains the same.

In fact, the need for managing finances and taking faster & effective business decisions has been intensified today than ever in order to sustain in business in this highly competitive and dynamic environment. What is changing is how we get about to it in an easier, more convenient, faster, efficient and cheaper manner. That's where the technology revolution plays a role. So, whatever the technologies we adopt in our life, accounting, as a profession will remain intact, probably, more cohesively than ever. But, it will be essential for Accountants to embrace the digital transformation and change from the traditional accounting to more strategic level business support analytics in order to remain in their profession. Technology will help the Accountants by freeing their time used for entry-level routine tasks so that they will have ample time to integrate with the business decision processes and to provide strategic level contribution for organizations.

So, under these scenarios what I believe is that Accountants must transform to cater to the needs of the digital age because traditional Accountants will surely be obsolete quite soon.

What do organizations in the digital age demand from Accountants?

Let me tell you what I would demand from my Accountants. Today, for business organizations to survive in this highly competitive and rapidly changing environment, we need different information on our fingertips within seconds on daily basis. Among them, information and analytics of financial performance are extremely vital. Practice of having monthly and annual accounts will be in history very soon. If we wait till the end of the year to review such information, we will be gone by miles even before we realize. To run my business efficiently and competitively, I must know expeditiously my financial strengths and weaknesses, spending capacities, investment capabilities and opportunities, provisions for leverage, dynamics and behaviors of the markets, etc. Accountants must cope with all these dire necessities rather than waiting till the end of the year to provide a postmortem of what happened. Rather than telling me the history, **Accountants must** tell me what is happening now and what will happen in the future.

Those vital information required for decision-makers should be readily available online, real-time. I cannot settle for anything less.

Therefore, I believe that
Accountant's role should be changed
to cater to what market demands.
We must produce Accountants who
are technology savvy and who use
technology in their day-to-day work
for speed, quantum and efficiency.
Today's Accountants should play a
more strategic role in organizations.
They must be competent in using
technology to extract and analyzing
bid data and make predictive
forecasts for better business
decisions.

Traditionally, Accountants seems like working in silos as disintegrated departments and doing highly

routine work. This is not accepted in today's world. Accountants and Finance Managers must integrate in to the core business of the organizations and get involved in strategic level decision making. Under such circumstances, AAT should think of moving away from producing traditional Accountants and start preparing financial and accounting professionals who are technology savvy and capable of meeting the needs of the digitally transformed world.

Another very important aspect Accountants should learn is 'entrepreneurship'. Today's Accountants not only learn to conduct financial performance analysis but also should inculcate entrepreneurship. The understanding and developing entrepreneurial qualities in Accountants is extremely important for them to integrate in to the core business of the organization and actively participate in strategic decision making.

In my company, we have project teams to handle different business opportunities, and what I have advised is to include a member from the finance department, ideally a financial analyst, in every project we handle from the very beginning. This will help the finance department member to understand the business and delivery aspect of the project, while business and project managers to understand the financial and investment aspects. Decisions with regards to budgeting, costing, financing, borrowing, pricing, etc. are taken together as a team.

Do you think that accounting is a good profession for a school leaver to select?

I have no doubt, and no hesitation to say 'yes'. It is a much needed and very important profession. As I know, finance management is one of the most important disciplines for any organization. Proper



financial management is vital for the survival and growth of every organization. Over the past years, we have seen massive disasters in the commercial world crashing giant corporations to ground-zero and making colossal financial losses. All those crashes happened mainly due to lack of financial discipline. Those large businesses crashed not because they didn't have superior products, potential markets to sell or competent people to run their operations. If you analyze those stories closely, most of the disasters happened mainly because of wrong financial decisions and improper financial discipline in the organization. Therefore, the accounting and finance management is becoming a far more important profession than ever today. No doubt that, accounting and finance management is increasingly becoming an important profession. Having said that, I must also say that it is very important that Accounting and Finance Management professionals quickly adapt to the needs of the digital age too in order to make their profession useful to today's organizations.

Accountants are still scared to use cloud. Do you think that it is secured?

Technology is readily available to make clouds perfectly and technically secured. However, the issue is not that. Security is not about technology. It is a system that involves technology, policies, best practices and leadership. It includes how you have classified your data, how you manage the users, how you store data, what processes you have employed to transmit data, and especially how you have trained your employees with a sense of security to handle and use data, etc. Your computer systems could be well-protected technically but it can be vulnerable for threats due to lack of policies and best **practices.** So, it is important that organizations consider security as a whole and closely knitted system rather than giving the responsibility to technology. But having said that let me also alarm you that intruders are always one step ahead of us. Therefore, periodical and continuous assessment of your entire security environment and policies are necessary to make sure that your organization is protected from possible threats.

How long do you think Sri Lanka will take to the other western world's level in terms of technology?

What I have experienced over the past 20 or 25 years is that Sri Lanka is a country that adopts technology very fast - faster than many other countries in the region. Therefore, I believe that Sri Lanka is not much lagging behind other countries in the region in terms of adopting and using technology. As an example, banking sector in Sri Lanka is renowned for using state-of-theart innovative technologies to offer diverse services to its customers. Sri Lanka is one of the few countries in the world to offer latest FinTech innovations such as eWallets and Digital Banking. Sri Lanka introduced branchless banking concept to the world, which has now become very popular business concept for financial inclusion. You may have also seen that even the Government sector organizations are now automating their processes using latest technologies. Department of Immigration & Emigration, Consular Department of the Ministry of Foreign Affairs, Sri Lanka Customs are a few



examples I can quote. We operate our branches in Malaysia, Singapore and Japan, and I can confidently say that we are not behind of most of the countries in the region when it comes to automation and application of technology.

Let me give you a different example too. As I told earlier, our company operates a branch in Japan on an invitation by the Niigata Prefectural Government. During our preliminary market research, we noted that Japan is far behind of Sri Lanka in adopting and using FinTech innovations in their Financial Services Sector. Realizing that they are behind the trend of FinTech, Japan now encourage companies like us to set up operations in their technology parks so that our knowledge and experience would be a springboard for Japan to catch up with the FinTech innovations and emerging technologies in order to compete in the global market. We have similar experience in Malaysia too. Sri Lanka's Financial Services Sector is far more advanced in using technology innovations compared to what has been implemented in some of the large and prominent banks in Malaysia.

What is the secret behind you being a successful Entrepreneur?

Our success is not an accident. Among many, I can quote 'Entrepreneurship' as a key success factor behind my company-Epic and me. 'Entrepreneur' and 'Entrepreneurship' are two different things according to me. While I being the Entrepreneur who founded Epic, the entire management and the key members of Epic have inculcated and embraced 'Entrepreneurship' in them. Entrepreneurship is the ability or willingness to adopt innovations in order to realize perceived opportunities and organizational goals. Innovation means adopting change for continuous improvement. This is what we do at Epic everyday and that is why we as a company perform better than our competitors all the time. Speed and Flexibility are two other key strategic values we believe in, which too has helped immensely to achieve our today's success.

The main reason for success behind me as an entrepreneur is, I believe, doing something in the line of my passion. I have failed in many entrepreneurial ventures before Epic was founded, mainly because I did not have passion for those lines of business. Passion for technology and passion for innovation kept me going at Epic and made it very easy to drive towards success.

Perseverance is another key quality that helped me to come to this state. I kept on trying without quitting even after failing in seven entrepreneurial ventures over 15 years. The ability to pick pockets of niche opportunities in the market and exploit them expeditiously before your competitor does is another key success factors I can mention here.

It should also be noted that Entrepreneur has a bigger responsibility on his shoulder. Entrepreneurs' responsibility does not limit to the company but it extends to all the stakeholders, the society and the country. Entrepreneurs' responsibility is not only to create wealth for themselves but to create wealth for the stakeholders and to the society too. Entrepreneurs create value from scarce resources. They focus and invest in innovations. They create, assimilate and disseminate knowledge. They believe in social responsibility. That is why Entrepreneurs are considered 'great people'.

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OUR BLOOD LINE IS RUNNING ON ACCOUNTANTS



Dr. Harsha Subhasinghe, CEO, CodeGen International

Can you briefly explain about Artificial Intelligence (AI)?

One component of AI is Deep Learning. Deep learning is learning from set of data where after successful training it can provide answers to any unknown dataset. It is a Black Box theory. Most of the problems in our life are functions. If computers learn the functions, then they can give answers to any question. If you have a doctor and if you know all information about his prescriptions, test results and diagnosis, when you feed this information to the computer you can learn the way the doctor treats.

Then we have catastrophic side. That is called optimization. Imagine suddenly your house gets flooded. The most suitable decision you make is called Catastrophic Optimization. Just imagine you want to make the best curry. You define it by the taste. But how many variations have you got to make the best curry? There are different components. When you keep on slightly adjusting the quantum of the components, you can find the best combination. That is called Optimization. So you have to find that. Permutations are infinite.

Also, we can teach the systems to communicate. If you want to go out, the system understands you and suggests that this is the best thing to do. The text can be read and understood by the computer. When you read, you read between the lines and try to understand the attitudes and emotions of the writer. Computers also can do that. That is called sentiment analysis.

Look at Google. Their prediction of information is exact. You look at language translation today. It is pretty accurate. If you look at google translator, it learns from all the mistakes and adjusts accordingly.

Artificial Intelligence can resolve complex problems. As Accountants you calculate, prepare predictions and budgets. Now the computers do all these things and humans make decisions. When AI comes in, AI can mimic and say I don't need you now. That is the threat for the Accountant.

Computers can read and understand the cases. Lawyers can read only a small number of cases but computers can read enormous number of cases and give opinion. That is a threat to the lawyers.

Computers can learn very tiny bio matrices and diagnose the diseases. That is a threat to the doctors.





In your view, what type of transformation do the Accountants need?

World is changing rapidly. Accountants should think how to optimize the work and maximize the profitability.

My thinking is that Accountants should be more involved in financing and become consultants.

End of the day our blood line is running on these guys. They have numbers & bank account details. I can be the visionary and tell them the vision. They should help to make it happen and advise whether it is possible to make that investment and get a return in the long run. Therefore, Accountants should give

lot of advice. At the moment they don't advise others. They take a report and submit. If you ask further details they bring another report. They never use the data to think and analyze. So my thinking is that nobody will lose the job. They will do better jobs than what they are doing now. Accountants have to take risks which means they have to be Entrepreneurs.

Accountants' role is not submitting reports which can be taken over by the computers. If you go to any Board Meeting today, 80% to 95% of the time is spent on resolving day to day operational problems. 5% is used for company growth. Operational issues should be solved by middle managers. You have to change the entire policy.

Operational issues should not come to decision makers' table. It should be handled by operational people.

Do you think that your entrepreneurial skill and success in life came from the exposure to foreign education?

Definitely not. I started doing business when I was 14 years old and at a construction company. Around 50 persons were working for me. My father was not bothered as long as I was not the 2nd in the class. Luckily I was not. I was exposed to do business at the very young age. That is the reason I insist that the exposure in practical side is necessary. I learnt from men.





How do you see language skills and attitudes of younger generation?

In our country, language skills are not as worse as other places. But we have been known to be very timid. If I have a problem, I have to talk and open it. Our people do not talk. They don't say their problems or difficulties. They keep it inside and one day they leave. Because of the culture, you are not allowed to talk.

Today, everything could be learnt via mobile phone through Khan Academy, Udacity courses etc. except practical subjects. What I say is, don't do class room teaching. You should do teaching online so that they can learn online. But you do mostly the practical part so the class will teach how to resolve problems.

Do you think the younger generation will not have the ability of

thinking and exploring because most of the things will be done by robots?

Talking about robotic part, it is a totally different area. Most of the things are now automated. The gardener's job in Europe is not there because fruits are been plucked by robots. For Tea industry and rubber industry, automation is needed. But whenever you do that, a different setup is there. Our problem here is that we are so busy about many things, cleaning the garden, plucking coconuts etc which machines can do. But nobody is there to think about the solutions for prioritizing in a natural disaster. Nobody has put effort to protect the environment. We already have damaged the environment. It is not reversible. Carbon emission point is already passed. Human generation is going to die. Water and minerals in the earth are going into a catastrophic damage. Today I saw in CNN that every single phone manufactured will use enormous

amount of copper, silicon and other minerals and very soon we will be running off with minerals. The amount of plastic poured in to the ocean is enormous. I may have to buy the oxygen and fresh water because you are playing with nature. If somebody can find a solution for plastic problem, he can become a billionaire. I am just thinking of using nano technology to get rid of "Mana panduru" problem from this country. We are drinking, breathing and eating poison. Therefore we have lots of problems to solve and the jobs would be evolved and we have to face the challenges.

Job automation is one problem. Survival is another problem.

Don't worry about losing the jobs where you have lots of other problems to resolve. There are so many opportunities.



Sri Lanka debates on protectionism where whole world is opening their economies

Is it fruitful to focus on Free Trade Agreements to solicit Foreign Direct Investments rather than focusing on improving hard and soft infrastructure of the country?

It is important to do both. One without the other does not make economic sense. If you take the case of the Indo Lanka Free Trade Agreement, Sri Lanka's exports to India on items that are eligible for tariff concessions account for 75% of exports and such exports have grown much faster than India's exports to Sri Lanka of items eligible for tariff concessions. Damro and CEAT are examples of companies that have successfully exported to India under the FTA. The Trade Balance between Sri Lanka and India has worsened NOT because of the FTA. It is because Sri Lanka imported more vehicles from India that are NOT eligible for duty concessions under the FTA. Statistics show that growth in exports from India to Sri Lanka of items eligible for tariff concessions have been significantly lower than Sri Lanka's exports to India.

The main reason why we have not grown our exports more is our failure to aggressively negotiate with India on non-tariff barriers and this is what ECTA is attempting to do. Those who think the ECTA is detrimental to Sri Lanka are misguided. If you analyze Sri Lanka's rate of economic growth, it was lowest during the period 1970-77 when we followed socialist closed-market economic principles. It is unfortunate that professionals in Sri Lanka still aspire to revert back to protectionist principles when the whole world including China, India and ASEAN countries are opening up their economies by entering into trade agreements.

What is the advantage of a Free Trade Agreement with a country from which we have high level of imports and to which we have very low level of exports?

This question makes no economic sense. You need to look at the quality of imports into Sri Lanka. If you exclude petroleum, motor vehicles and consumer goods imports, our imports are relatively low. We need to import machinery and raw materials to foster exports. The analysis below shows that FTAs without doubt enhance FDI and exports.





The general consensus is that, greater openness to international markets facilitates the economic growth. Many studies have shown that firms with joint venture partnerships, firms that participate in international markets and those facing greater import competition are more productive, particularly in developing countries. In this context, foreign entry encourages technological and managerial know-how transfers and helps to integrate the domestic market with the international market. A higher proportion of market share accounted for imports also puts greater pressure on domestic competitors to improve their productivity and expands the range of available inputs for use in domestic production. Thus, a friendly investment climate would encourage foreign entry and openness to trade.

There is a variety of channels by which a free trade agreement drive FDI flows. One is that FTAs remove export regulations by lowering trade barriers to facilitate the movement of intermediate and final products between two host countries. Other positive effects of FTAs on FDI could arise from other conditions negotiated in the FTA, such as investment regulations that increase the mobility of capital flows. These regulations make it easier for foreign investors to divert financial resources to their foreign affiliates when the need arises, such as building of a new plant in the host economy.

Empirical evidence has shown that entering into such preferential trading arrangements i.e. FTAs and CEPAs with strong economies has enhanced exports led growth resulting higher levels of FDI inflows into industrial sectors. Hence countries targeting an increase in FDI inflows from a particular source country or region could seek to implement FTAs and other trading arrangements with the other party, using such international agreements as viable tools to achieve their aim.

Competing countries for inward investments have also organized into several bilateral and regional trading blocks that provides preferential market access for exports from host countries (See table below).

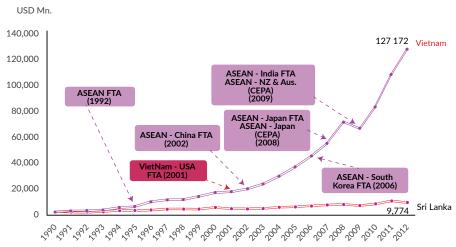
FTAs and its Relationship with Exports and FDI inflows of Some Selected Counties

Country/ Trading Block	Prevailing FTAs (No)	FTAs under Negotiation (No)	Exports (USD Bn.)		FDI (USD Mn)	
			2000	2012	2000	2012
ASEAN Countries Malaysia Thailand Indonesia Vietnam Myanmar	5 6 1 1	4 1 - 1 1	112 82 62 17 6.4	265 285 190 127 9.6	3,778 3,410 -4,550 1,298 208	10,074 8,608 19,852 8,368 2,243
ASEAN as a Regional Block	6	2	411	1,254	11,056	111,294
South Korea	6	2	144	548	9,283	9,904
India	9	7	42	294	2,319	25,543
Sri Lanka	2	-	5.5	9.8	173	1,338

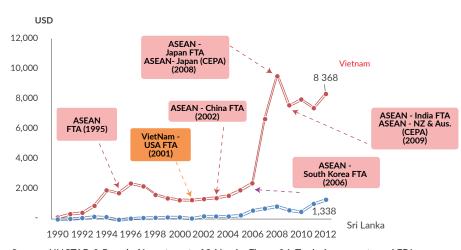


Vietnam is one of the best examples where trading arrangements have played a major role in increasing the FDI level from USD 1,298 Mn in 2000 to 8,368 in 2012 and enhancing exports from USD 17 Bn in 2000 to USD 127 Bn in 2012. This shows the ability to attract

market seeking FDI through such trading arrangements with right partners. In comparison to this, during this period Sri Lanka's FDI increased from USD 173Mn in 2000 to 1,338 in 2012 and exports from USD 5.5 Bn 2000 to USD 9.8 Bn in 2012.



Source: ITC & Board of Investment of Sri Lanka Trade Agreements and Exports - Vietnam



Source : UNCTAD & Board of Investment of Sri Lanka Figure 06: Trade Agreements and FDI Inflows - Vietnam

In addition to the above trading arrangements, Bilateral Investment Promotion & Protection Treaties and Avoidance of Double Taxation Treaties also play a supportive role by complementing to the trading arrangements.

The limited international integration has already made Sri Lankan exporters less competitive in accessing the export markets

vis –a-vis the competitors with provisions for preferential market access.

This shows the necessity of having preferential trading arrangements by Sri Lanka aimed at greater market access with major economies such as India, China, Singapore, EU, USA, Japan, Australia and ASEAN if Sri Lanka is to diversify its export basket.

Being a country which was slow in grabbing opportunities in the global trade, what are the possible strategies to compete with already established trade and financial hubs in the region-Singapore and Dubai?

We can compete with these countries primarily by focusing on the growth of the services industry since Sri Lanka is no longer competitive in wage-cost based exports. The areas of focus have to be to promote Sri Lanka as a centre for excellence and growth in export revenue covering ports and aviation, logistics based manufacturing, offshore financial services, light engineering, ICT, software and knowledge industries, tourism, retail, agri-business and gems and jewellery. Very simply Sri Lanka needs to encourage local and foreign investments in these areas and permit inward migration of persons based on skills similar to Singapore and Dubai. In Singapore, 40% of the skilled work force was not born in Singapore. In Sri Lanka the percentage is well below 1%. It is by attracting FDI and skills that we can compete globally and grow as a nation. I can assure you that our young graduates will have more job opportunities if we do so rather than losing jobs to skilled entrepreneurs, and professionals coming to live and work in Sri Lanka. It is interesting to note that 65% of exports from BOI companies in 1999 when I was Chairman of the Board of Investment originated from companies with minority or majority foreign equity ownership. Also a major portion of software exports today are by companies with foreign equity ownership. Virtusa and IFS for example are 100% foreign owned, but generating 1000s of high paying jobs.





What are the best ways the Accountants or Accounting Technicians to support the emerging Small and Medium Enterprises spread throughout

By advocating more openness so that these SME's can become subcontractors to larger export oriented companies. When there is greater FDI, SME's from suppliers of lunch packets, to transport to component manufacturers benefit. Our local market is too small to be overly protected. Protecting local industries is necessary. However, protecting them to the extent that it impacts their ability to become export competitive and resulting in the common citizen having to pay more for such goods and services does not improve a country's living standards. Today due to over protection of the building materials industry which employ a few thousand affects millions who are trying to afford a house or an apartment. Sri Lanka's construction cost on a per square foot basis is more expensive than India, Thailand, Vietnam and Indonesia.





Interviewed by Dr. Chamara Bandara

Fellow Member of AAT Sri Lanka

AAT MEMBERS SHOULD BE GROOMED AS FINANCIAL ADVISORS IN THE SME SECTOR

Is entrepreneurial development adequate in Sri Lanka?

For last 20 years people were talking about entrepreneurship rather than delivering it. My personal opinion is that we are not looking at the whole scenario but focusing on the so called "Entrepreneur" for entrepreneurship. We should look at the systems in the country to see whether it supports the process of generating entrepreneurs rather than asking whether the Sri Lankans are entrepreneurs. Sri Lankans are entrepreneurs by and large as otherwise we won't be represented in NASA or we couldn't have finished the war. We find different ways of dealing with our problems and those are very enterprising. For entrepreneurial nation to evolve, we need to fix the system rather than fixing entrepreneurs. In the banking sector we try to fix the customer rather than fixing the banker & the system and the products. We do not look at the system to see whether it supports the customer to take his or her decisions. Entrepreneurs have a very hard time in sri Lanka.

Are Accountants adding value to organizations?

I am not knowledgeable to comment on behalf of all the sectors you are in. Accountants are knowledgeable in finance which is the base of most of the business calculations. If we look at banking sector, now a days bankers are no longer bankers. Bankers are doing marketing jobs in most places. With the very limited exposure I have with the



Samadani Kiriwandeniya, Chairperson, SANASA Development Bank PLC

Accountants, I think you are getting restricted to the balance sheet. Beyond that there are people, resources and sustainability issues. What would happen is that the routine jobs will be replaced by the systems. Anything that is not unique will be replaced by the technology in the years to come.



Do you expect something beyond the figures/balance sheet from Accountants?

What I feel is that in most sectors in the world, ultimately whether a sector will continue to remain or not will depend on the employability of the members of that sector. It will be determined by the capital. When a skill can be replaced by a machine that will be replaced. So, what cannot be replaced is the human factor. Always there will be customers & problems. Considering the Banking Sector, people who can understand numbers, who can calculate should start thinking from customer side, which means **Accountants or Accounting** Technicians have a really good opportunity in the years to come as Financial Advisors. In the companies or banks, Accountants are supporting employers. I think if possible, companies or banks will replace Accountants with machines. Banks will provide credit cards, various financial products and IT based banking support. People who do not have financial knowledge to identify whether they are buying the correct financial product, will need assistance. Accountants or Accounting Technicians can provide that assistance so that their employer will be the customer and not the bank. Accounting Technicians can be groomed as Financial Advisors in the SME sector where SDB is also in operation. That will be an opportunity and the future direction.

What are the opportunities for AAT Members in SANASA Development Bank?

We have had some discussions previously. I can see two opportunities. First is with SANASA Campus where you can have a partnership for a top up degree program for AAT. We can discuss this further. Second is the one I have mentioned a while ago on financial advisory role which will be in great demand. We have about 8,000 registered SANASA Cooperative Societies in the country. Out of these, there are around 1,000-1,500 solid, strong, almost like banks, SANASA Societies. Their current leadership is getting old. Next generation should be developed under them. Competency gap of them and the next generation is high. We can have very clear branded program to train AAT students to become Financial Advisors to customers. We can provide internship programs for them with these primary societies. We can select a group of primary societies which are good members of the bank and which are thinking of going in for SME sector development in this country. You can rally up around 20-30 new grooming businesses in the SME sector to provide the services of the trained Financial Advisors. It will be

a good learning exercise for your students and a value addition to the community.

What is mostly needed to develop the Entrepreneurs in the SME, financial assistance or something else?

Entrepreneurs know when to borrow and when not to borrow. But most of SMEs are not experienced enough. Largest volume of SMEs is in the small category. They don't have the correct product. They don't have the correct volume. Definitely. access to finance is going to help, but that alone won't help. Neither the financier nor the businessman knows whether the business has a sustainable path. Therefore we need other assistance such as venture capital, business intelligence and assistance in tax. SMEs do not know from whom the relevant questions should be asked. In our group, SANASA societies are one stop shops. When SANASA member comes and asks a question from the society, they should be able





to guide the member with correct information.

Being a successful female leader, what is your view of the areas of career advancement for female Members and Students of AAT?

I think IT development is a very good opportunity for females. Some of the biggest restrictions females had in establishing a career is a mobility issue. There are certain times that females cannot move around. They need to be closer to homes which is not properly understood by many organizations. With IT knowledge, there is enough opportunity for females to stay at home even after getting AAT qualified. They can be self-employed Financial Consultants. For that they need to be IT savvy. Also, they should start learning customer centeredness. Numbers will be meaningless unless you know the purpose. Skills will also be meaningless if you don't know how to employ the skills.

Can SANASA provide opportunities and training for AAT students?

There are learning opportunities in SANASA societies for internships which can be made available for AAT students.

Managers of SANASA societies do not have much knowledge or time to focus on customers. They do not have money to advertise and get someone to look after customer care. We can provide internships for AAT students to look after customer care and this will be a good career opportunity later.

Our population growth is less and we have lesser numbers of youth in the work force. As a nation we have not given attention to this. This is our reserved capital. We



should not make the way for them to go abroad. We should engage them in the problems, opportunities, troubles and possible solutions in their areas and orient them with that. Today's jobs and opportunities might be changed tomorrow. You should learn a skill to be employed in the future and you cannot be guided by the past. This country has immense opportunities.

Financial Advisor will be a future popular job opportunity. (Personal Loan Advisor). Entrepreneurs should have proper partnership with the bankers. Bankers lend public funds to entrepreneurs. Entrepreneurs cannot do whatever they want with that money just because they have an idea and the bankers want to release the full loan amount.

Entrepreneurs fail due to poor financial management. Hence the role of Financial Advisor is essential, and it would be a clear opportunity.

Sri Lanka is a developing country. What factors can be the key contributors for the development?

You should get the priorities right in the first place and then know

how to brand the country so that the next generation can deliver that brand rather than just bluffing with the brand.

What should be our priorities; is it people, children, land, FDIs, short term cash deals, political victories, life styles or condominiums? If we were to take FDIs, we should take it as tier one capital and see what we are going to do with it. At present, we plan to get FDIs for cash flow management which shouldn't be the case.

This is a very critical time of our country. There is no war and internationally we are being focused.

We are marketing our country without having the strength to protect it.

If you really want to do good for the country, people who are above 40 (40-60 years) need to get together and decide priorities correct rather than complaining and talking viciously in a nostalgic way. Rather than talking about lack of opportunities in front of children, we should say that there are opportunities.



SRI LANKA IS A BLANK SHEET



Dulith Herath, Founder / CEO, Kapruka.com

As an entrepreneur, do you think that Sri Lankan environment promotes entrepreneurship?

Yes. Now Sri Lankan environment is more supportive for entrepreneurship. In the past 4 to 5 years there was a marked improvement. Especially in upper middle class or upper class, the parents are more supportive if their sons or daughters want to start up businesses. However, parents of middle class, lower middle class or lower class are still not thinking

in that way. In any country, entrepreneurship is generally not much promoted unless it comes from the childhood. I am not from a well to do family. Innovation came to me from my grandfather R.A. Chandrasena who was the first to put sounds to Sri Lankan movies.

Can entrepreneurship or innovativeness be inculcated, or is it a born talent?

It is by and large a born talent. But you can motivate people. In order to

harvest entrepreneurship, you need to show examples of success stories to them. That is the biggest motivation.

If you follow me on Linkedin, you can find Tharushi brand. This is a brand of a 17 year old girl from Rathnapura who has 3 patents. We sponsored her and her products are now sold online under Tharushi brand.

Do Sri Lankans adopt technological changes?

Yes. Don't think that Sri Lanka is a

different kind of a zoo separated from the rest of the world. We have all the technology uses in Sri Lanka such as Uber, Airbnb, booking.com etc. We shouldn't isolate Sri Lanka and ask are we ready. We are ready and actually more ready than other countries. When the investors who invest in countries like Indonesia, India. Philippines and Vietnam come to Sri Lanka, they would say that Sri Lanka is perfect, infrastructure is good and the governance systems are good even though we complain from outside. People don't appreciate their own fish tank. I chose to stay here having the opportunity to live in any country in the world because Sri Lanka is a blank sheet. There is less competition. Sri Lanka has everything and it only needs people with attitude like mine to move forward. That positive attitude may be lacking here. We have the cheapest internet access in the world, in USA I GB costs USD 50.





What should we do at the village level to foster entrepreneurhip?

First thing to do is to look eye to eye. First you have to take that barrier out. We need to give them the opportunity to relax. If AAT can do that, that itself is enough. Break that ice.

At what stage should we introduce entrepreneurship to our kids?

Earlier the better. For an example, I pay my son for certain activities he does. He collects the money and even gives loans to his mother on interest. Entrepreneurship is something you should inculcate in early days. As a human if you are not getting challenges, then you are going to be depressed. If you have unlimited money, you are not

happy, you are depressed. That is the human nature. I get up in the morning to solve things. If someone says that you have enough money and you don't have to do anything, then I would be depressed. If you can tell the kids earlier, it's better.

So it should come from family side first?

It's not like that. For me it never came from my family side.

In the USA, drones are used in business. Do you plan to use drones in Sri Lanka?

It is completely wrong. Actually in USA they can't use drones. The rule is that drones cannot fly over houses. Sri Lanka is an island. I got permission to fly around the island over the beach. We have put our hubs around the island. We are not

going to deliver the product to the houses using drones. We would only deliver to the hub and from the hub a guy in a motor bike would take it over. Actually we are the only company in the world to do something like this because we are an island.

As an Entrepreneur what do you expect from an Accountant?

I think Accountants should come and tie the hands of Entrepreneurs. I always expect my Accountants to give me a hard time because I don't have that skill. Entrepreneurs have an unwanted courage. They want to go and take high risks. That is where Accountants need to come and show them the reality. Show them the cash flow and balance sheet. I have a very strong accounting team and they give me a very hard time,



I don't answer their calls but they come and catch me somehow. They know that I respect them. I look at the balance sheet almost on daily basis.

How can technology help the Entrepreneurs?

More than the challenges, there are so many opportunities. What I feel is that Sri Lanka is a blank sheet and that is the most important thing for the entrepreneur to know. When you have a blank sheet you can start writing on it. Look at PickMe for an example. PickMe is a copy of Uber. They were able to do it because there were no other competitors. If they have to do it in India, they can't even imagine about it. You don't necessarily have to come up with new ideas. I always believe that you can copy something and improve it. There is nothing wrong in copying something and improving it. Look at this couch, look at this phone. Those were improved over and over again. Nobody has to invent something new always. Somebody can take an idea from someone else and improve it. We can do it in Sri Lanka because we are a blank sheet. I can't take an idea from Indonesia and implement it in India because it is not a blank sheet. There is a huge opportunity here and we can take advantage from 4th industrial revolution or technological advancement.

You said that Sri Lanka is a blank sheet but you started your company outside Sri Lanka. Why?

That was because I was outside Sri Lanka when I started. I was in the USA at that time. I really wanted to come back to Sri Lanka and start a business. When I started the business in Sri Lanka, my office room was almost empty in the first two years. I came once a year, twice a year and then thrice a year. When I saw the growth, I told my wife, "let's move permanently". We settled our green card and sold our house in the USA. We just made that decision and came back when the war was finishing. Exposure is not a must. Now look at Tharushi. She is from Ratnapura having three patents.





AAT members are more important in the new world than in the past being the front line in defense

Reyaz Mihular, Managing Partner, KPMG Sri Lanka and Maldives



It is clear that the role of the Accountant is being changed. What is the impact of this change to the accountancy profession in general and on the AAT members in particular?

Accountants' role is undergoing and will undergo significant changes. A research has identified that the chances of survival of the traditional role of the Accountants is very low in the next decade. Specially the job roles such as book keeping, producing financial statements and back room operations will be taken over by software and related systems. Already, in preparing accounts, software does a better role than what is done manually. What the Accountants generally do are passing journal entries and taking decisions. Even for that,

now there is technology called Robotics Process Automation (RPA) where routine tasks are automated. Accountants' traditional role has already largely disappeared to a certain extent and will disappear to a larger extent in the future.

Does it mean that Accountants have no role? No. the key is that Accountants understand and see how they can leverage the knowledge and experience they possess in order to provide more front office role rather than back room role. For example, though we say we have computers and systems, somebody has to set the criteria and rules which computers cannot decide. Those rules have to be set by professionals. In the accountancy field, Accountants have to set these rules.



Present financial reporting is more fair value based and judgment is required which machines cannot do. In such instances, Accountants have a critical role to play. How you handle this will depend on how you handle the change of environment in which we are going to operate. People say that machines can think and can even beat a chess player. However, even in Artificial Intelligence (AI), you still have to have humans. For example, if you tell the machine that you need peace and guiet, then the machine will kill all around while keeping you alive because that is the best way to get peace and quiet! But, that is not moral and acceptable. Also, if you tell a driverless car that you want to go from point "A" to point "B" in the fastest way, it will break traffic lights, exceed speed limits etc.

There is a concept called curate. That concept is there in AI too. It is to set parameters and also to be able to curate the data that is thrown out by the machines. So for an example, if you are valuing an investment property, when you feed data, loads of fairly good values will come. It needs professional judgment to decide what the most relevant one is out of all, because the machine cannot realize certain factors which human can understand. Machines can only go by past data. But still there may be unexpected out of ordinary parameters. Repetitive and routine tasks will go away. But the importance of exercising judgment and deciding on what is right and wrong in a moral sense will be required. For example, when preparing accounts, if there are options, you can select any option as per the standard. One option may not be ethically right but the system will not understand that. New Code of Ethics says you should not choose an option which is allowed by the system but not by the criteria laid down to safeguard public interest. Accountants are the only professionals who have

taken the public interest as the key responsibility in conducting their professional work unlike the other professionals. For example, a Lawyer will say I will defend my client even if he is guilty. But Accountants, if they know the set of accounts are wrong, you don't associate vourself with it because you have a responsibility towards public interest. Public interest judgment is a value judgment and ethical judgment. You can't teach ethics to a machine. Decisions will depend on circumstances. What is ethically right in a particular instance won't be ethically right in another setting. There emerges the need for human **judgment.** That is why it is important that our examinations should not be about double entry which machines can do. Our teaching would be on how do you express professional judgment, how do you exercise professional skepticism, how do you encourage ethical principles such as integrity & objectivity which are now more important for

is producing Middle Level Accountants. How can the change affect AAT Members and how to transform?

Software can be written by ICT personnel but rules have to be set by the Accountants. Now the software robotics can do the bank reconciliation without human intervention. But as Accountants, rules have to be formulated by you. Accountants should absolutely understand the core of accounts not just the mechanical way and ask why something has happened. We have to train our people to have an inquiring mindset so that they don't become mechanical reconcilers from one number to another. Accounting Technicians are the front line of defense. Often CFO gets the accounts at the end but the problem may be further down the chain. If you don't get that right, you can't catch it at the top. In a war, you need good trained soldiers at the front line so that



Accountants. Educational institutes should emphasize on these aspects rather than teaching only the mechanical part of accounting.

You said traditional back office work will go off. AAT

you can manage a war better. To me, Accounting Technicians are the front line. Your P&L will get completely way out if you don't classify the accounts correctly at the first line of defense. Machine doesn't know that this item should



be capitalized or that this should be revenue and someone has to take that call. I repeatedly say that in the new world, accounting technicians are more important than in the past. Old systems were paper based and even an Accountant can go back and see what has happened. But now, when you feed data. everything is processed and the result comes without you knowing how it has been computed. People should understand why they do what they do. We should train people to understand this. I call this higher purpose. Accountants' higher purpose is to produce correct financial statements, as a set of financial statements lead people to take very critical decisions. Well trained financial professionals provide a huge contribution in producing financial statements and the allied decisions made on these financial statements. You need to ask more difficult questions in handling work to understand why we do what we do as then the output will be smarter.

In your view, what would be the profile of the AAT Member?

I think the ideal profile would be who is inquisitive, disciplined, who will keep himself or herself up to date, who has passion and commitment for learning and who has ability to see beyond. It is seen that, many try to become experts in many fields and forget the core. We become the jack of all trades but master of none. You have to be the master of accounting. If you know the basics, when a problem arises, you can identify the root cause and solve the problem and get out of danger.

At the last AAT Conference, we were talking about the transformation from interpreter to influencer. What are the skills which should be possessed by a person to



influence someone?

As I always say, the most important part is integrity. It is better to have a less smart person with high integrity than a highly intelligent person with no integrity who could be very dangerous. They can do very contrived and skillful frauds. If you want to be able to influence someone, the other party should be able to trust you. There can be other things which are important in terms of influencing, but integrity comes first and foremost.

Do you think that there is a short supply of the Accountants in the market especially in terms of the demand for future popular job roles?

I have not come across unemployed Accountants. But there can be some who are unemployable due to their nature. Jobs like supply chain, Data scientists, Actuaries etc will emerge specially with projects like Port City which will have products which have been unknown to people and more complex technologically. These jobs are numbers based and with the experience and training Accountants have with numbers, they can easily switch to these highly demanded

jobs in the future.

We have three local accounting bodies viz. AAT, CA and CMA. In your opinion, should these three bodies work in consolidation or in isolation?

I always believe in consolidation. Canada did the same thing. CMA Canada, CA Canada & CGA Canada got together and formed CPA Canada. It doesn't mean that a CMA becomes a Chartered Accountant to do audits. They have different streams. Similarly, we can have streams like chartered accountancy, management accounting and the operational level accounting. The advantage is that you can have a coordinating strategy for the profession as a whole. A basic degree has become the basic qualification now. This concern has to be understood by the policy makers or the governing bodies of the Institutes and take strategic initiatives to face the evolving changes in the market. If the professional accountancy qualification is not considered the basic qualification where the degree gets the first priority, we should package a degree with the qualification we offer.



Interviewed by Sunil Wanigabadu

Secretary, AAT Sri Lanka

AAT Members have a bigger role to play as Tax Consultants to the SME Sector



How does the new Act No. 24 of 2017 that came into effect from 01st of April 2018 impact AAT Members?

Under the New Act No. 24 of 2017, AAT Members are recognized as Authorized Representatives and Approved Accountants. Therefore, they can prepare accounts of the SME Sector. i.e. Micro Businesses, Sole Proprietorships and Partnerships.

Seventy to eighty percent of businesses in Sri Lanka are in the SME sector. Therefore, AAT Members have a lot of opportunities and they also can contribute to improve the micro business sector.

Is there a limitation to AAT Members in preparing financial statements of the SME sector?

Yes. They can prepare financial statements of SME sector only up to a turnover of 100 million. They cannot exceed this limit. However, if the AAT members want to increase this limit they have to make a proposal to the relevant body and request.

Policy makers have moved from principle based tax regime to rule based tax. What are your comments on this?

Previous Inland Revenue Act was No. 10 of 2006 which was replacing

former Act No. 38 of 2000. From the inception, Inland Revenue Act has been basically principle based. But the new Act is rule based. There are differences between the two. Under the principle based, they have not gone into details and some basic words are not defined. Under the rule based, they have gone into details and certain basic words have been defined. For example what is payment is defined. What is receipt is defined. Therefore, you have to either include or not include.

There can be lot of disputes and debates under the principle based law because they have not gone into details. But here under rule based law, they have gone into details.

What are the main stream reforms in the Tax Law?

This new Law had brought in new challenges, but policy-wise, there are no major changes. As an example, the Capital Gains Tax was already there under the previous Law, but widespread exemptions were not given under the new Law. Exact underlying reasons for introducing this new Law is difficult to understand. This new Law must have been introduced due to political and economic factors where we had no choice but to adopt the same.

The new Law was proposed in order to simplify the pervious Law. Though the objective was good, in practical context it is questionable whether the said objective is achieved. Considering the rule based, there are lot of fallouts.



Recently people had issues with the filing of statement of estimated income tax payable. Over the perennial years statement of tax payable was there and taxes were estimated on self-assessment basis. But however, during the recent past it was a major issue among the people since there is no basic understanding.

As per the new Law if a person is entitled to a refund, he may end up in getting a greater refund. But in the practical context if a person is entitled to a refund, then that person should not pay taxes. Even if a person has a liability to pay taxes, he/she will pay more amounts of tax during the first few quarters and less amount of tax in the last few quarters as a result of payment in advance. It does not work with the principle of equal payment of installments, and the meaning of "equal payment of installments" is totally lost.

It is evident that people are dissatisfied and there were a lot of debates and meetings with no positive response for the issues on the new Law.

This new Law will be discussed and debated further since there is necessity for amendments. If there are gray areas and if the tax payers take a different position, then these issues have to be sorted by a dispute mechanism.

Will the re-introduction of Capital Gains Tax help to broaden the Tax base?

The Capital Gains Tax will definitely help to broaden the Tax base and it is a new line of revenue. Under the previous Law, only business profit was taxed but not capital gains and the capital gains were tax exempted. This was continued for a long period of time. There are justifications on capital gains on the realized profit. If money has been received on capital

gains, paying tax is justifiable under the principle of capacity to pay taxes. But the new Law had been drafted and interpreted in such a way that without money being received by an individual, he/she has to pay tax on the realization of assets. In principle, for an individual to pay tax, profits and income should reach either in the form of cash assets or any other tangible kind.

Capital Gains Tax will be applied even when an asset is not disposed of but if realization has arisen on the asset. One can argue that if monetary gains are not there then on which grounds he/she has to pay Tax. The way that the new Law has been drafted without realizing the practical consequences and this may lead to lot of disputes and disagreements among the stakeholders in the near future.

What about signing of the tax returns by the Authorized Agents?

In practical context the tax payers have to sign their returns and the AAT Members as Consultants cannot sign the tax payers' returns but can only apply the Law. The Law does not empower the Consultants

with any means or mechanism to verify whether the information provided as income by the tax payer is correct or not. Tax payers should take the responsibility pertaining to their income and should sign their returns.

As per the new Act, under "Thin Capitalization", the interest portion can be allowed only according to capital. Will this have a negative impact on SME business?

"Thin Capitalization" is a scenario where consciously replacing capital with debt capital instead of equity capital in order to have a tax efficiency. Equity capital will be subject to economic double taxation (i.e. the same profit is taxed in two persons' hands). But however, if it is debt capital, it is not the case and interest cost is tax allowable. The dividends are taxable.

The rule of Thin Capitalization, rules on controlling of foreign companies and Transfer Price Rule apply mainly for cross border transactions. Foreign companies instead of investing in equity capital may invest in debt capital. Therefore, it was observed that there is a proper









justification for Thin Capitalization but in the practical context it is being introduced to unrelated people. People will be forced to do business using own money/ equity instead of debt capital. Thin Capitalization should not be applied for independent people. Thin Capitalization rules may cause issues for people who have increased the debt leverage in capital.

Employees are given good incentives under the new reforms. What is the rationale behind increasing the exemption limit?

Under the previous Law, employees had a tax free allowance up to LKR 750,000, travelling allowance of LKR 50,000 and a vehicle allowance of LKR 50,000.Under the earlier Law employees paid a lower rate of tax.

Under the new Law, the tax free benefit is only LKR 1.2 Mn. But under the new Law non cash benefits have not been scaled down. It was noted that the employees were affected under the new Law and therefore it was debated and the revised reforms will come into existence in future.

I am of the view that the employees are not really benefited under the new Law. Under the previous Law employees paid a low rate of tax but under the new Law they have to pay tax at the rate of 24%.

Even the professionals are badly affected and discriminated. Professionals, even the SME companies with very low income (less than LKR 500 Mn), individuals & partnerships are discriminated. For policy formulation, form of the business is not an issue and people must be allowed to do the business the way they want. An individual and proprietor will not get the same tax rate of SME. We have discussed and highlighted the need to change such things. The said issues will stifle business and

entrepreneurship. There should be an enabling environment to facilitate the entrepreneurs.

What do you think about the improved knowledge of AAT Students & Members on Tax in terms of the utilization of that knowledge in the current economic trends in the country?

Sri Lanka is moving to be the next re-emergence of Asia. This century will be the century of Asia. There are enormous opportunities created due to this for SMEs and many small entrepreneurs are emerging. SMPs (Small and Medium Professionals) are responsible to make them to come into legal forms. AAT Members get opportunity to advise such emerging enterprises. Little drops of water make a mighty ocean. So, AAT Members have a bigger role to play in the time ahead.



Interviewed by Damith Gangodawilage

Fellow Member of AAT Sri Lanka



How do you look at the transformation of the tax law in the country from Principle based to Rule based?

There is a necessity to revise the income tax law from time to time. As you know, previously, we have had Acts no. 28 of 1979, 38 of 2000 and 10 of 2006. The nature of the Inland Revenue Act is that it gets amended every year subsequently to the budget proposals. Time to time a consolidated act is presented amalgamating all the amendments. This time Government has changed everything altogether.

Over the years Department of Inland Revenue as well as the tax professionals developed a vast knowledge in taxation in written law. There were many rules, interpretations and decided cases. Regulators, professionals, and businessmen were knowledgeable about these principles. All of a sudden, we have to keep that accumulated knowledge away and get adjusted to a new set of

rules. Whatever the knowledge got accumulated become null and void overnight. There is no question about changing the tax law. But this is not the appropriate way of changing the tax law in the **country**. We have to start from the beginning. If we use the old knowledge, we would be giving wrong interpretations. Therefore, we have to set aside all that and view the new Act in a new perspective. Everything is changing and should change also but drastic changes have an economic cost associated to those. Information is available that the new Act was an adaptation of an Act of another country. The language of the Act is English but the formation and the flow are different. We have good legal draftsmen in Sri Lanka and hence why should we adapt an Act from a different country? Especially as a Lecturer, I find it difficult to teach the subject since the entire knowledge base has to be reinvented. At the moment I can see everyone is struggling to understand the new law. If the

government wanted to broaden the tax base and increase the tax revenue, they could have achieved the same objective by using the existing principle based tax law.

One government said that their tax policy was to give tax holidays and concessions. As a result, businesses would develop and taxes would be collected from those businesses. The next government said that there were excessive tax holidays. I agree that there were unnecessary tax concessions but we could have removed those and refined the Act rather than throwing it out altogether.

As an example, if you take the calculation of taxable profits of a businessman and that of a professional, methods are different. Businessman is buying and selling and there is cost of sales whereas a professional is selling his knowledge. There is no cost of sales. Therefore these two cannot be put into the same basket and tax. The professionals are asked to pay taxes on their income. In that case the professionals are at a disadvantageous position. I am not saving that the professionals should not pay taxes. There is tax evasion in all areas of the economy. But there should be a proper way to tax all. The new taxation introduced although appears to be equitable, is not equitable due to the reasons I have mentioned. There should be some concession to the professionals.

Do you think that new rule based tax law will help to increase the tax base in the country?

Yes, definitely it will and the reason is this. There were tax rate changes. Withholding tax was introduced



widely. Tax holidays and concessions were removed. New basis has been introduced for tax payments by installments. Introduction of Capital Gain Tax has a definite impact on government revenue. Therefore, it is bound to generate additional income.

But, the objective of taxation is not only to generate income.

The policy makers must look at the other aspects of taxation equally. Identified sectors of the economy should be encouraged by giving tax concessions while discouraging non priority sectors. This would generate future tax income and ensure sustainability of the government revenue. I have a serious doubt whether this has been addressed in the new Act. Non encouragement of investments and a sudden and unpredicted tax burden will be a situation like killing the goose that laid golden eggs. We should look at both sides. Suddenly you can earn something more but in order to make sure sustainability, government should develop the business sectors which have the potential to generate future income to the government. There should be tax concessions for certain startup businesses in order to accelerate the economic progress of the country. Government should incentivize the businesses to start up and those can be taxed once they earn the capacity to pay. Now the country is experiencing the bad impacts on removal of concessions granted for foreign exchange earnings and savings.

Under the new law the concessionary rate of income tax (14%) is confined to companies and the sole proprietors and partnerships engaged in the same business have been neglected. Again, even for a company to enjoy the benefit they must be predominantly (exceeding 80% of gross revenue) engaged in the selected activity like exports. What about a company with a massive flow of export revenue but not

predominantly engaged in exports? These provisions violate principles of taxation.

How do you look at the re-introduction on WHT?

I totally agree with WHT principle.

Cost of compliance is very low in WHT mechanism since the withholding tax agents can be controlled easily than the real tax payer. In respect of other taxes, you have to push people to pay and to collect money, you have to go behind them. On the other hand it secures the government's tax revenue due from nonresidents. The final tax mechanism simplifies tax system. That creates an automated information flow to the tax authorities. However. there are certain drawbacks in new WHT provisions. Especially the investment based income is subject to WHT without a threshold. This has badly affected a wide range of low income groups in the country. As a result of abolition of WHT on government securities, the noncorporate investors in Treasury Bills and Bonds have become liable to tax at higher rates. In the case of rent, the WHT rate is 10% which is on the higher side. In partnerships when you allocate profit to partners you have to deduct WHT. There are lots of ambiguities in implementing this. Record keeping, issuing WHT Certificates, reporting to the Inland

Revenue and issues in claiming input credit has increased the work load of the business at large.

According to your view, the new Act is a challenge for all. As a professional and a key player in business, what is your message to our members?

Business means a game between risk and reward. Therefore, businesses are always filled with challenges. Tax is only one aspect of that. In business we should be able to convert the challenge in to an opportunity. For that we need to understand the changes in tax regime and structure our present and future activities accordingly.

This change is a real opportunity for accounting professionals. They are expected to master the new law, issues and be equipped with solutions to direct their employers and clients to ensure smooth operation of businesses, compliance and also to grab opportunities.

I believe the businesses entities are required to restructure their activities and capital structures. Accounting professionals are at the steering wheel of this process. Be knowledgeable and active in this strategic change and then you will become a valuable partner in business.





AAT UPDATES

The induction of the 10th President of AAT Sri Lanka

The ceremonial induction of the 10th President of AAT Sri Lanka – Mr. M. Jazri Magdon Ismail was held on 06th of July, 2018 at 06.00 pm. at AAT Centre, Colombo 5. The chief guest of the ceremony was Ms.Rachel Grimes - then President of International Federation of Accountants (IFAC) of which AAT Sri Lanka holds the Full Membership. Mr.Jagath Perera – President of CA Sri Lanka graced the occasion as the guest of honor.



Mr.Jazri, who is currently a Financial Consultant, is a Fellow Member of the Chartered Accountants of Sri Lanka, a Member of Certified Management Accountants, Australia and Fellow Member of Association of Accounting Technicians of Sri Lanka. He is the nominee of CA Sri Lanka on the Governing Council of AAT Sri Lanka. He is also an Independent Director at Amana Bank Limited and has served in the directorate of Alhambra Hotels Limited. He also has served for multinational chains namely Holiday Inn and Ramada as the Head of Finance. He has also previously held the positions of Secretary and Vice President of AAT Sri Lanka. His professional experience includes Chairmanship in the Board Audit Committee and Board Related Party Transactions Review Committee, Membership of the Board Integrated Risk Management Committee and Nomination Committee of Amana Bank. He also has served on the committee as a member of the Strategic Management Accounting Faculty of CA Sri Lanka.

AAT continues its winning spirit with more recognition and many accolades

AAT Sri Lanka was awarded with Full Membership of IFAC – Being the 02nd Accounting Technicians Body in the world to get admitted to the IFAC Full Membership



At the 40th Annual Council meeting of The International Federation of Accountants (IFAC) held from 14th to 16th November, 2017 in Brussels, Belgium, The Association of Accounting Technicians of Sri Lanka (AAT Sri Lanka) was admitted as a full Member of the Federation. IFAC is the global apex body of the accountancy profession dedicated to serving public interest by strengthening the profession and contributing towards development of strong international economies. IFAC comprises of more than 175 members and associates of more than 130 countries and jurisdictions, representing almost 3 million accountants in public practice, education, government service, industry, and commerce.

AAT Sri Lanka was admitted as an Associate Member of IFAC as far back as May, 1989. Due to the association's continuing immense contribution supporting the global accountancy profession for economic growth in the public interest, the global Federation had decided to upgrade the membership of AAT at IFAC from Associate level to full membership level.







AAT Sri Lanka wins Best Managed Project Award



The Association of Accounting Technicians (AAT Sri Lanka) bagged the Gold Award under the sector of Best Managed Projects in Academic/Research for their CSR Project – "Best Annual Report Competition" which is launched in collaboration of Ministry of Education Sri Lanka at the National Project Management Excellence Awards 2018 organized by The Project Management Institute (PMI).

Best Annual Report Competition is an interschool contest. Year 2018 marks the 11th successive year of the Best Annual Report & Accounts Competition which was inaugurated back in 2008 covering both National and Provincial arenas.



AAT Sri Lanka wins SME Brand of the year



AAT Sri Lanka secured a Merit Award in the SME Brand of the year at SLIM Brand Excellence Awards 2018. Amidst the large number of applicants who have competed under SME category, AAT Sri Lanka was able to be amongst the 5 Merit Award Winners.



Seminar Series for School Students

Among the many CSR programs that AAT Sri Lanka carries out, the Seminar Series targeting the year 11 (O/L 2018) students takes a prominent place. It is a project launched with the prime objective of uplifting the interest and the awareness about the commerce stream among the students, while providing them guidance towards their higher educational and professional pathways available in the country and overseas. This project is launched together with the Department of Education-Western Province, Sri Lanka where all students doing 'Business Studies and Accounting' subject for their O/L 2018 examination were involved. A model paper, prepared by a pool of Zonal Commerce Directors, Teacher Instructors and Teachers was discussed with students and seminars are conducted by resource persons suggested by each Zonal Commerce Director.

Western Province is comprised of 11 Educational Zones and this seminar series is expected to have 60 programs in such a way that it covers every school in each zone. Also, AAT Sri Lanka extended this seminar series to other provinces such as North Western, Central, North Central & Southern as well. Together with this concept, a teacher training program is also planned to be launched for the benefit of teachers of schools in Sri Lanka.





AAT's initiatives towards the knowledge and skill enhancement, professional development, networking, recreation and harmony of the member fraternity

The 26th Annual Convocation of AAT Sri Lanka



The 26th Annual Convocation of AAT Sri Lanka was held on 4th December 2018 at the Main Hall, BMICH with the Senior Professor Sampath Amaratunge, Vice Chancellor of University of Sri Jayewardenepura participating as the Chief Guest and Mr. Jagath Perera, President of CA Sri Lanka as the Guest of Honour. 618 new members were inducted to AAT Sri Lanka membership in the year 2018 including 14 Fellow Members, 26 Senior Members and 578 Members.







The Orientation Seminar for New Members of 2018





The Orientation Seminar for the new Members who were inducted to AAT Membership was held on 24th November 2018 at the National College of Education, Maharagama. Objective of the seminar was to educate the new Members of the Association on the detailed introduction to AAT Sri Lanka, CPD, Code of Ethics and other opportunities available for Members for their development.

An inspirational presentation was done by Dr. Mahesh Jayasinghe ,Founder Managing Director of Mpower Softskills Pvt Ltd at the Orientation Seminar on the topic "Discover the power within you"



AAT Sri Lanka Conference 2018 "Stepping up; Role of an Interpreter to Influencer"













It is said that there are three types of people:

- Those who make things happen
- Those who watch things happen
- Those who say what the hell just happened? Where do you like to be?

The future is already here and your future is in your hands.

16th Annual Conference of AAT Sri Lanka on the theme "Stepping up; Role of an Interpreter to Influencer" was held on 15th October, 2018 at Hotel Galadari, Colombo with the presence of Hon. (Dr) Harsha de Silva - State Minister of National Policies and Economic Affairs as the Chief Guest. Technical sessions of the Conference held on 16th October 2018 were presented by eminent resource personnel both local and international.

An interactive session on "Conquer the Boardroom"





An interactive session on Conquer the Boardroom packed with exciting new learning and activities was held on 20th September 2018 at AAT Auditorium. The presentations were delivered by Mr. S. Yogendraprasath and Ms. Buddhi Pathiraja. This was an excellent opportunity for those who have attended to brush up their skills with activities and fun with public speaking, presentation & communication skills.



Financial reporting in the wake of new tax regulations "Tax Reforms; Tagging on to smart financial reporting"





The seminar was instigated by the changes to financial reporting obligations which were resulting from the introduction of the Inland Revenue Act No. 24 of 2017.

The seminar was presented combining two fields of study – taxation and financial reporting, where the eminent presenters Ms. Sarah Afker and Mr. Nishan Fernando blended their presentation so well to present the areas of focus together.

Poison for the brain – An insight to Psychology in Finance



The seminar was held on 28th of August 2018 at the Auditorium of AAT Sri Lanka. Mr.Kumarasiri,Founder/CEO of The Human Capital Partner and the Chairman/Principal Consultant at HCP Consulting (Pvt) Ltd., reflected on the importance of identifying one's money psychology – Money avoidant, Money Status seeker, Money worshipper or Money vigilant.







AAT BUSINESS SCHOOL

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For dual qualification "NVQ" & "Higher Diploma" leading to a Bachelor's Degree It's your opportunity to

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Business School in collaboration with...



Prof A. Ariyadurai Vice Chancellor - OUSL

Professor S.A Ariyadurai, Vice Chancellor appreciated the initiatives taken by the AAT Business School by formulating higher level courses for the benefit of AAT members and passed finalists to be followed after their AAT qualification and directing them to earn degree qualifications not only in Accounting & Finance but also from Business Management Stream. He also mentioned that he was very happy with the trend of core partnership of institutions, AAT Sri Lanka, AAT Business School and the Open University of Sri Lanka.



Prof. KAS. DammikaDirector – School of Accounting & Business, CA Sri Lanka

Firstly, I would like to congratulate all the HDAF diploma holders of AAT Sri Lanka for completing your Higher Diploma in Accounting and Finance program and welcome to CA Sri Lanka with a dual qualification to follow BSc Applied Accounting degree. We observed that the syllabus of the HDAF is structured solely towards the development and enhancement of knowledge and skills required by the world of work. Therefore we are happy to recognize and grant 22 subject exemptions out of 34 in the 3 year degree program where you could complete in one years' time. Let me wish you all the best for your future endeavors.

Knowledge & advice of experts available at all times



Mr. T. Dharmarajah Senior Partner (Audit & Assurance) Amerasekera & Company



Snr. Prof. Samanthi Senaratne
Professor in Accounting,
Department of Accounting, Faculty of
Management, University of
Sri Jayewardenepura



Prof. V Sivalogathasan
Professor and Head of the Department,
Department of Management Studies,



Dr. Anura Karunaratne Senior Lecturer (Grade I) Accounting and Finance, University of Kelaniya

1st convocation of the Higher Diploma in Accounting and Finance at the BMICH on 4th December 2018







Enhance your career

AAT Toastmasters Club

Sri Lanka and Tamil Nadu consists of 238 clubs, and AATSL Toastmasters Club managed to win the second best club for the Toastmasters year 2017/2018!

This is the highest achievement in the AATSL Toastmasters Club's history.

In 2016/2017 & 2015/2016 they were awarded the 3rd best club, in addition to that they won 7 awards from District 82, Toastmasters International for the Toastmasters year 2017/2018.







The AAT Job bank plays a dual role and offers mutual benefits to job seekers as well as training organizations / Companies.

The AAT curriculum requires students to obtain both theoretical and practical aspects of the relevant subjects. A Passed Finalist need to have one year of training to be qualified as a member of the Association.

The concept of building of the job bank in AAT emerged thus to cater to these dual needs.

Fulfil the training requirement of students **Audit Firms AAT Students Private Companies Passed Finalists** Government Institutes **AAT Members** Departments and Corporates **Employers Job Seekers** Free Service **Job Status** Free of Charge to Accounts/Audit Trainees job seekers and Accounts Executives, Assistants training institutes / **Assistant Accountants** employers Accountants

Buildup your potential

This is an invitation to AAT students, Passed Finalists and Members who are seeking training opportunities, employment or career advancement to register with the AAT Job Bank. If you are interested send us a soft copy of the latest CV to jobbank@aatsl.lk.

Tel: 011-2559669 (Ext. 211) - Aruni



Members' Get-Together 2018

Members' Get-together 2018 organized by the Members' Welfare Committee, was held on 27th October 2018 at Arie Lagoon Resort, Negombo in a colourful manner.

The event turned out to be a fun-filled experience to all the participants that included distinguished Members of the Governing Council, AAT Members and their family members. Lots of fun -filled games and other activities had been organized for strengthening fellowship and networking among AAT members.









AAT Cricket Tournament 2018





AAT Cricket Tournament 2018 organized by Members' Welfare Committee for the 8th consecutive year, was successfully held at the Janaka Ranawaka Ground, Moragasmulla, Rajagiriya, on Saturday, 15th September 2018. The main objective of organizing the tournament is to build up Unity, Harmony and Social Interaction among AAT Sri Lanka members.

"AAT Blues" (representing AAT Staff) and Team – Super Sixes qualified for the grand final and The AAT Blues emerged as champions of the AAT Cricket Tournament 2018.



AAT New Year Celebrations 2018



AAT Sri Lanka celebrated the Sinhala and Hindu New Year-2018 with AAT members on 13th May 2018 at the APE GAMA, Battaramulla. Several events and games had been organized for AAT members, and Staff and their families with no age limitations. The AAT Members' Welfare Committee organized this Sinhala and Hindu New Year celebration for the fourth consecutive year.







AAT Night 2018

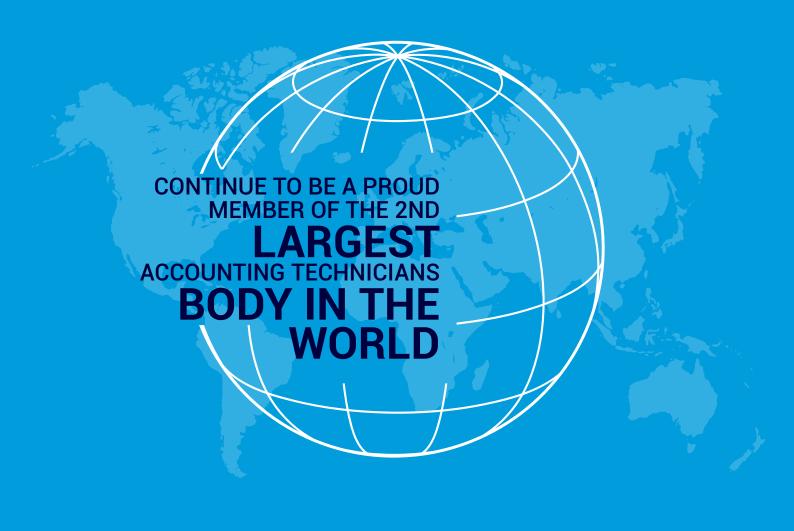


The most looked forward to year-end gathering of AAT Members was held on 14th December 2018 at the Auditorium of AAT. The fun-filled event with red and black theme was full of music and dance to mark a delightful end to annual events of Members for the year 2018.









We are happy that AAT Sri Lanka membership is the **first professional membership** of the lives of majority of our member fraternity. We believe the increasing recognition received by AAT Sri Lanka both locally and globally adds value to your membership which is what we are also enthusiastic on.

Be it life membership or ordinary membership that you have as an active member, what matters most is your active engagement with the Association and getting yourself professionally developed otherwise through the development, networking and knowledge enhancement opportunities avenues opened for you from your Association. As an active member of the Association, you are eligible to enroll for many courses developed in varied disciplines by AAT Business School at special rates which supports your journey of becoming a wellgroomed professional and leading to higher academic qualifications. You are also entitled to participate for monthly seminars, annual conference and many networking and recreational events such as Members' Get together, Cricket Tournament, Avurudu Ulela, Members Dinner Dance etc which are offered at special rates as well as absolutely free, amongst other benefits. Additionally, you get the opportunity to officiate at AAT Examination marking and supervision on availability basis & serve in Committees of the Association.

If you are an ordinary member, make sure you RENEW YOUR MEMBERSHIP

to remain a member of AAT and avail the range of opportunities and privileges on offer. Alternatively, you have the opportunity to convert your ordinary membership in to life membership for a hassle free continuation of your membership. Details on membership renewal for ordinary members have already been posted. You may contact Membership Division on 0112559 669(ext 324/323) or via

aatslmembershipinfo@gmail.com/ membership@aatsl.lk

for clarifications if any.

Best wishes for a flourishing new year, amazing opportunities in life and a lasting active membership with AAT Sri Lanka!





TEST YOURREADING & WIN - THE QUIZ



Win a valuable gift by recapturing the knowledge you gathered through InSearch 2018.

- 1. What are the biggest challenges for the accountancy profession and how the Members of AAT can face them?
- 2. What is meant by entrepreneurship and intrapreneurship? How can Accountants be Entrepreneurs/Intrapreneurs?
- 3. What do organizations in the digital age demand from Accountants?
- 4. What sort of jobs / entrepreneurial opportunities is available for AAT Members in the future as highlighted by many resource personnel?
- 5. What are the main stream reforms brought in by the new Tax law?

Please send your answers to the quiz to AAT Sri Lanka via **membership@aatsl.lk** under the subject "InSearch Quiz" on or before 31st January 2019. Kindly mention your Name, Membership Number & the Mobile Number along with the answer.





SHARE YOUR THOUGHTS WITH US

We are pleased and keen to know the interest and value you place on the InSearch magazine and what your expectations are. Your valued suggestions / comments would undoubtedly assist us serve you and your fraternity better. Please forward the completed feedback form via email to membership@aatsl.lk.

Thank you.

InSearch Feedback and Suggestions

 How do you rate this InSearch in terms of below attributes? (you may \sqrt{the relevant cage})

	Excellent	Good	Average	Poor
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Quality of the content				
Knowledge integration				
Updating you with industry and world trends				

2. What areas featured in the InSearch	interest you most?
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Leadership & Entrepreneurship	Changes of Technology
Changes in Economy	Other
3. What are your suggestions on the to	opics / areas of content for the next InSearch?
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