



ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ ගැසට් පත්‍රය

අති විශේෂ

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

අංක 2066/29 - 2018 අප්‍රේල් මස 11 වැනි බදාදා - 2018.04.11

No. 2066/29 - WEDNESDAY, APRIL 11, 2018

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

Revenue and Expenditure Returns

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017

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

Report on the Financial Statements

I have audited the accompanying financial statements of The Institute of Chartered Accountants of Sri Lanka, ('the Institute'), which comprise the statement of financial position as at 31st December 2017, and the statement of comprehensive income, statement of changes in funds and reserves and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. I have also audited the statements of financial position of F.B. Lander Prize Fund and Cyril E. Begbie Memorial Prize Fund as at 31st December 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan



and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Institute, F.B. Lander Prize Fund and Cyril E. Begbie Memorial Prize Fund as at 31st December, 2017 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

D.V. DAYARATNA,
Chartered Accountant.

Colombo,
28th March 2018

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Statement of Financial Position

<i>As at</i>	<i>Note</i>	<i>31.12.2017 Rs. '000</i>	<i>31.12.2016 Rs. '000</i>
Assets			
Non-current assets			
Property, plant and equipment	3	1,202,568	555,265
Intangible assets	4	28,233	48,709
Library books	5	704	1,455
Loans and advances to staff	6	11,336	18,932
Held to maturity financial assets	7	71,517	274,265
Available for sale financial assets	8	36,019	34,547
Total non-current assets		1,350,377	933,173
Current assets			
Inventories	9	16,306	24,437
Receivables	10	49,401	57,905
Loans and advances to staff	6	7,762	9,716
Held to maturity financial assets	7	586,136	209,286
Cash and cash equivalents	11	95,011	101,710
Total current assets		754,616	403,054
Total assets		2,104,993	1,336,227
Funds and liabilities			
Accumulated fund and reserves			
Accumulated fund		1,040,010	948,151
Government grant		699,000	-
AFS reserve		(2,346)	(4,479)
Total accumulated fund and reserves		1,736,664	943,672
Funds and grants			
Designated funds	12	35,773	30,633
Restricted funds and grants	13	17,172	17,654
Endowment funds	14	1,958	2,117
Total funds and grants		54,903	50,404
Non-current liabilities			
Retirement benefit obligation	15	27,821	31,821
Total non-current liabilities		27,821	31,821

Statement of Financial Position

<i>As at</i>	<i>Note</i>	<i>31.12.2017 Rs. '000</i>	<i>31.12.2016 Rs. '000</i>
Current liabilities			
Payables	16	85,040	79,265
Income tax liability	17	79	80
Receipts in advance	18	166,191	184,766
Deferred income		23,544	23,238
Bank overdrafts	11	10,751	22,981
Total current liabilities		285,605	310,330
Total liabilities		313,426	342,151
Total funds and liabilities		2,104,993	1,336,227

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

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

.....
Hemanthi Kevitiyagala
Head of Finance

.....
Aruna Alwis
Secretary / Chief Executive Officer

Signed for and on behalf of the Council.

.....
Jagath Perera
President

.....
Manil Jayasinghe
Vice President

Colombo
28th March 2018

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Statement of Comprehensive Income For the Year Ended 31st December

	<i>Note</i>	2017 Rs. '000	2016 Rs. '000
Income	19	756,261	752,389
Expenditure	19	(357,215)	(356,819)
Net income before employee costs and overheads		399,046	395,570
Other income			
Other operating income	20	6,027	4,241
Operating income		405,073	399,811
Overhead expenses			
Employee costs	21	(217,601)	(207,988)
Maintenance of premises	22	(35,312)	(40,420)
Depreciation and amortisation	23	(76,693)	(68,195)
Other expenses	24	(39,584)	(48,547)
Total overhead expenses		(369,190)	(365,150)
Net operating income		35,883	34,661
Grants and other restricted funds	13.1	4,801	21,858
Related expenditure of grants	13.2	(1,667)	(18,726)
Contribution to designated funds	12	(16,047)	(12,913)
Transfers to restricted funds and grants	13.1	(1,389)	(4,657)
Contribution to endowment funds	14	(204)	(172)
		(14,506)	(14,610)
Finance income	25	74,414	51,230
Finance cost	26	-	(127)
Surplus for the year before Government grant		95,791	71,154
Government grant	3.2	699,000	-
Surplus for the year before tax		794,791	71,154
Income tax	27	(7,060)	(5,018)
Surplus for the year after tax		787,731	66,136
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value changes on available for sale investments	8	2,133	(1,630)
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plan actuarial gain/(loss)	15.1	3,128	(1,450)
Total comprehensive income		792,992	63,056

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

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Statement of Changes in Funds and Reserves For the Year Ended 31st December 2017

	<i>Accumulated fund Rs. '000</i>	<i>Government grant Rs. '000</i>	<i>Capital expenditure reserve Rs. '000</i>	<i>Available for sale reserve Rs. '000</i>	<i>Total Rs. '000</i>
Balance as at 1st January 2016	859,465	-	24,000	(2,849)	880,616
Surplus for the year after tax	66,136	-	-	-	66,136
Actuarial loss on defined benefit obligation	(1,450)	-	-	-	(1,450)
Fair value changes on available for sale investments	-	-	-	(1,630)	(1,630)
Transfers	24,000	-	(24,000)	-	-
Balance as at 31st December 2016	948,151	-	-	(4,479)	943,672
Balance as at 1st January 2017	948,151	-	-	(4,479)	943,672
Surplus for the year after tax	787,731	-	-	-	787,731
Land received as Government grant	(699,000)	699,000	-	-	-
Actuarial gain on defined benefit obligation	3,128	-	-	-	3,128
Fair value changes on available for sale investments	-	-	-	2,133	2,133
Balance as at 31st December 2017	1,040,010	699,000	-	(2,346)	1,736,664

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

Capital expenditure reserve represented funds set aside out of the surpluses during the periods from 2002 to 2004 for upgrading of buildings.(2002:Rs.8 mn, 2003:Rs.8 mn, 2004:Rs.8 mn) This reserve was transferred to accumulated fund during the year 2016 due to the completion of major building upgrading projects.

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

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Statement of Cash Flows For the year ended 31st December

	<i>Note</i>	<i>2017 Rs. '000</i>	<i>2016 Rs. '000</i>
Cash flow from operating activities			
Surplus for the year before tax		794,791	71,154
Adjustments for;			
Depreciation and amortisation	23	79,864	71,739
Reimbursements and amortisation of restricted funds and grants	13	(4,801)	(21,858)
Contribution to designated funds	12	16,047	12,913
Transfers to restricted funds and grants	13	1,389	4,657
Contribution to endowment funds	14	204	172
Provision for defined benefit plan	15	6,731	5,995
(Profit)/loss on disposal of property, plant and equipment	20	(10)	(123)
Work- in progress written off	4	-	1,050
Amortisation of pre-paid staff cost	21	3,816	2,480
Interest expense	26	-	127
Finance income	25	(74,414)	(51,230)
Government grant	3.2	(699,000)	-
Operating surplus before working capital changes		124,617	97,076
(Increase) / decrease in inventory	9	8,131	4,011
(Increase) / decrease in receivables	10	8,504	8,384
(Increase) / decrease in loans and advances to staff	6	9,550	(5,603)
Increase / (decrease) in payables	16	5,775	(6,790)
Increase / (decrease) in deferred income		306	7,176
Increase / (decrease) in receipts in advance	18	(18,575)	17,158
Cash generated from operations		138,308	121,412
Tax paid	17	(1,511)	(1,296)
Gratuity paid	15	(7,603)	(3,432)
Net cash inflow from operating activities		129,194	116,684
Cash flows from/ (used in) investing activities			
Acquisition of property, plant and equipment and library books	3,5	(3,169)	(24,768)
Acquisition of intangible assets	4	(3,771)	(2,741)
Investment in held to maturity financial assets	7.1	(535,750)	(470,750)
Maturity proceeds received from held to maturity financial assets	7.1	392,426	329,844
Proceeds on disposal of property, plant and equipment	10	10	327
Finance income received		34,931	31,692
Net cash flow from/ (used in) investing activities		(115,323)	(136,396)

	Note	2017 Rs. '000	2016 Rs. '000
Cash flows from / (used in) financing activities			
Donations received to designated funds	12	27	3
Receipts to restricted funds and grants	13	5,093	11,700
Donations received to endowment funds	14	91	-
Payments made from designated funds	12	(10,934)	(10,218)
Payments made from restricted funds	13	(2,163)	(954)
Payments made from endowment funds	14	(454)	(45)
Proceeds received/ (settlements made) on borrowings		-	(1,709)
Net cash flow from/ (used in) financing activities		(8,340)	(1,223)
Net increase / (decrease) in cash and cash equivalents		5,531	(20,935)
Cash and cash equivalents at the beginning of the year		78,729	99,464
Derecognition of cash and cash equivalents of APFASL		-	200
Cash and cash equivalents at the end of the year	11	84,260	78,729

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

1. General information

1.1 Legal and domicile form

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

The Act provides for the establishment of the Institute of Chartered Accountants of Sri Lanka and of a Council of the Institute, which shall be responsible for the management of its affairs for the issue of Sri Lanka Accounting and Sri Lanka Auditing Standards and for the registration and control of and the maintenance of professional standards and discipline by members of the Institute and for matters connected with or incidental to the matters aforesaid.

1.2 Date of authorisation for issue

The financial statements were authorised for issue by the Council on 28th March 2018.

1.3 Principal activities and nature of operations

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

1.4 Going concern

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

1.5 Financial period

The financial period of the Institute represents a twelve month period from 1st January 2017 to 31st December 2017.

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

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

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

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

1.7 *Basis of preparation of financial statements*

1.7.1 **Statement of compliance**

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

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

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

1.7.2 **Basis of measurement**

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

1.7.3 **Comparative information**

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

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

1.7.4 **Materiality and aggregation**

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

1.7.5 **Functional and presentation currency**

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

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

1.8 *Significant accounting estimates and judgments*

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

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

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

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

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

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

Accordingly, management has determined that there is no requirement for consolidation.

b) **Defined benefit plans**

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

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

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

2. **Summary of significant accounting policies**

2.1 *Assets and the bases of their valuation*

2.1.1 Property, plant and equipment

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

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

All property, plant and equipment are stated initially at cost and subsequently measured at cost less accumulated depreciation and any impairment losses. Repair and maintenance cost are

recognised in the statement of comprehensive income as incurred. The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable.

(b) Depreciation

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

The estimated useful lives of assets are as follows;

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

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

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

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

(c) Derecognition

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

2.1.2 Library books

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

2.1.3 Capital work-in-progress

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

2.1.4 Intangible assets

a. Computer software

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

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

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

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

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

b. Study material

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

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

2.1.5 Inventories

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

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

2.1.6 Impairment of non-financial assets

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

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

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

2.1.7 Financial assets – Initial recognition and measurement

Financial assets within the scope of LKAS 39, are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Institute determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The Institute initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Institute becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Institute has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The financial assets of the Institute include receivables, loans and advances to staff, Held-to-Maturity Financial Assets, Available-for-sale Financial Assets, repurchase agreements and cash and cash equivalents.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost, using the Effective Interest Rate (EIR) method, less

impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs.

Initially, loans and receivables are recognised on the date that they are originated. Loans and receivables are stated at their cost net of an allowance on outstanding amounts to cover the risk of non-payment.

Loans and receivables comprise trade receivables, employee loans and advances, deposits and other receivables.

(b) Held-To-Maturity Financial Assets (HTM)

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Institute has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortised cost, using the Effective Interest Rate (EIR) method, less impairment. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in financial costs.

Investments in fixed deposits and Government securities have been classified under HTM investments.

(c) Available-For-Sale Financial Assets (AFS)

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve in funds and reserves. Interest income on AFS financial assets is calculated using the Effective Interest Rate method (EIR) and is recognised in the statement of comprehensive income. When an investment is derecognised, the gain or loss accumulated in funds and reserves is reclassified to profit or loss.

Investments in Government securities have been classified under AFS investments.

2.1.8 Derecognition of financial assets

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

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

When the Institute has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Institute's continuing involvement in it.

In that case, the Institute also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Institute has retained.

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

2.1.9 Impairment of financial assets

The Institute assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such impairment has occurred, that amount of impairment is calculated by taking the difference between the asset's carrying amount and the present value of estimated future cash flows.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset or assets (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty or default in interest or principal payments, the probability that they will enter bankruptcy or any financial reorganisation and when observable data indicate that there is a measurable decrease in future cash flows, such as change in arrears or economic conditions that correlate with defaults. If any indication exists, the asset's recoverable amount is estimated.

An impairment loss is then recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.1.10 Cash and cash equivalents

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

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

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

2.2 Liabilities and provisions

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

2.2.1 Financial liabilities

Subsequent to initial recognition, interest-bearing loans are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the loan on an effective interest basis.

Interest-free loans are recorded at fair value on initial recognition, which is the present value of the expected future cash flows, discounted using a market related rate. The difference between the cost and the fair value of these loans on initial recognition has been recognised immediately as interest income while the corresponding unamortised interest expenditure recognised in the statement of financial position, has been amortised over the period of the loan.

2.2.2 Deferred income

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

2.2.3 Provisions

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

2.2.3.1 Employee benefits

(a) Employee defined benefit plan - Gratuity

Defined benefit plan is a post-employment benefit plan, other than a defined contribution plan. The defined benefit is calculated by an independent actuary using Projected Unit Credit (PUC) method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using interest rates that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate, future salary increments and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Accordingly, the employee benefit liability is based on the actuarial valuation as of 31st December 2017. The Institute's accounting policy for gratuity is to recognise actuarial gains and losses in the period in which they occur in full in the statement of other comprehensive income.

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

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

2.2.4 Taxation

a) Income tax

The surplus and income of the Institute, other than surplus and income from dividends or interest, is exempt from income tax under Section 7(b) (ii) of the Inland Revenue Act, No.10 of 2006.

b) Other taxes

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

c) Deferred taxation

Provision has not been made for deferred tax, as surplus and income of the Institute other than income from dividends or interest are exempt from income tax under section 7(b) (ii) of the Inland Revenue Act, No. 10 of 2006.

2.2.5 Translation of foreign currency transactions

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

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

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

2.3.1 Unrestricted funds

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

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

Designated funds /Reserves

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

(a) Funds

Name of the designated fund	Purpose
Needy students' scholarship fund	
L.A. Weerasinghe Memorial Needy Scholarship Fund	Help deserving and promising CA Sri Lanka students
Merit scholarship funds	
* General Fund * CA Sri Lanka Scholarship Funds	Help deserving and promising students who have shown exceptional performance at CA Sri Lanka examinations and undergoing Business level training.
Other funds	
Faculty of Taxation Fund	Development of the tax profession
Faculty of Auditing Fund	Development of the auditing profession
Publication Fund	Development of publications
Urgent Issues Task Force Fund	Interpretation of accounting issues
Audit Quality Assurance Fund	Conducting audit quality assurance related activities

(b) Reserves

Reserve	Purpose
Capital expenditure reserve	Funds reserved for upgrading of building

2.3.2 Restricted funds

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

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

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

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

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

2.3.3 Endowment funds

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

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

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

The Institute's policies regarding the endowment funds are;

(i) **Investment policy :**

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

(ii) **Withdrawal policy :**

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

(iii) **Fund usage policy :**

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

2.3.4 Grants and subsidies

2.3.4.1 Revenue grants

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

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

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

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

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

2.4 Statement of comprehensive income

2.4.1 Income recognition

(a) Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Institute and that it can be reliably measured.

(i) Subscriptions and annual renewal fees :

The subscription year for members, students, certificate to practice and Certified Business Accountants runs from 1st January to 31st December. Only the subscriptions that are attributable to the current financial year are recognised as income. Fees and subscription payments that relate to future periods are shown in the statement of financial position as fees received in advance under current liabilities.

Annual renewal fees from training partners and teaching colleges are recognised as income at the time of receipt of the payment. The renewal year runs from 1st January to 31st December.

(ii) Enrolment fees :

Fees received in connection with enrolment to CA/ CBA membership, fellowship, practice, training and learning partners are recognised after receiving the approval of Council and payment due on such applications.

(iii) Examinations fees :

Fees on examinations are recognised as income at generation of admission.

(iv) Income from supply of educational materials :

Supplies of educational materials are recognised as income at the time of dispatch or sale.

(v) **Income from courses :**

Income from other courses are recognised as income based on periodic basis.

(vi) **Income from seminar/workshops :**

Seminars, workshops, conference and Continuous Professional Development (CPD) activities are recognised upon conducting the event.

(vii) **Arrears, penalties and fines :**

Arrears, penalties and fines in connection with the payments received after the due date are recognised upon receipt of income.

(viii) **Fee from training agreement :**

Training agreement fees are recognised at the time of registration for practical training.

(ix) **Sponsorships and contributions :**

Sponsorships for member/student related activities are recognised on acknowledgement.

(b) **Other income**

(i) **Income from hire of halls :**

Income from hire of halls is recognised on accrual basis.

(ii) **Gains/Losses from sale of property, plant and equipment :**

Net gains and losses on the disposal of property, plant and equipment are recognised in the statement of comprehensive income after deducting from the proceeds on disposal, the carrying value of the item disposed of and any related selling expenses. In the case of any revalued asset, any balance remaining in the revaluation reserve account is transferred to the statement of comprehensive income.

(iii) **Other income :**

Any other income not specified under above categories is recognised on accrual basis.

(c) **Restricted contributions/income**

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

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

Any surplus remaining in a restricted fund on conclusion of project or planned activities is transferred as unrestricted income unless it is prohibited by a condition attached to it or the obligation exist to revert back to the fund providers.

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

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

(d) Finance income :

Interest income is recognised on accrual basis using Effective Interest Rate method (EIR) according to LKAS 39.

2.4.2 Expenditure recognition

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

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

(a) Project expenses

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

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

(b) Operational expense

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

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

(c) Finance expense

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

2.5 *Statement of cash flows*

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing of cash flows in accordance with Sri Lanka Accounting Standard- LKAS 7 on 'Statement of Cash Flows'. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 11.

2.6 *Capital commitments and contingencies*

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

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

2.7 *Events after the reporting period*

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

2.8 *Standards issued but not yet effective*

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

2.8.1 **Standards effective from the financial period beginning on or after 1st January 2018.**

New SLFRSs and interpretations:

- * SLFRS 9 *Financial Instruments*
- * SLFRS 15 *Revenue from Contracts with Customers*

Amendments to existing SLFRSs:

- * Clarifications to SLFRS 15 *Revenue from Contracts with Customers*
- * SLFRS 1 First-time Adoption of Sri Lanka Accounting Standards
- * LKAS 28 Investments in Associates and Joint Ventures
- * Amendments to SLFRS 2 Share-based Payments
- * Amendments to SLFRS 4 *Insurance Contracts* : Applying SLFRS 9 Financial Instruments with SLFRS 4 *Insurance Contracts*

2.8.2 **Standards effective from the financial period beginning on or after 1st January 2019.**

- SLFRS 16 *Leases*

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

Note 3 - Property, Plant and Equipment

Cost

	<i>Land Rs. '000</i>	<i>Buildings Rs. '000</i>	<i>Furniture Rs. '000</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Computers Rs. '000</i>	<i>Total Rs. '000</i>
Balance as at 1st January 2016	-	499,811	96,436	123,791	12,282	73,692	806,012
Additions	-	7,218	1,226	13,092	-	1,825	23,361
Disposals	-	-	(764)	(2,119)	-	(7,685)	(10,568)
Balance as at 1st January 2017	-	507,029	96,898	134,764	12,282	67,832	818,805
Land granted by the Government *	699,000	-	-	-	-	-	699,000
Additions	-	-	1,206	660	-	950	2,816
Disposals	-	-	-	-	-	(48)	(48)
Balance as at 31st December 2017	699,000	507,029	98,104	135,424	12,282	68,734	1,520,573

Accumulated depreciation

	<i>Land Rs. '000</i>	<i>Buildings Rs. '000</i>	<i>Furniture Rs. '000</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Computers Rs. '000</i>	<i>Total Rs. '000</i>
Balance as at 1st January 2016	-	59,145	40,703	56,094	9,889	54,541	220,372
Depreciation charge for the year	-	18,118	8,282	20,130	759	6,243	53,532
Disposals	-	-	(628)	(2,060)	-	(7,676)	(10,364)
Balance as at 1st January 2017	-	77,263	48,357	74,164	10,648	53,108	263,540
Depreciation charge for the year	-	18,618	8,329	21,316	770	5,480	54,513
Disposals	-	-	-	-	-	(48)	(48)
Balance as at 31st December 2017	-	95,881	56,686	95,480	11,418	58,540	318,005

Carrying Amounts

As at 31st December 2017	699,000	411,148	41,418	39,944	864	10,194	1,202,568
As at 31st December 2016	-	429,766	48,541	60,600	1,634	14,724	555,265

3.1 The cost of fully depreciated assets as of 31-12-2017 amounted to Rs. 123 mn. (2016: Rs. 75 mn). Further fully depreciated assets amounting to Rs. 48,000 have been disposed during the year.

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

This grant amounting to Rs. 699mn received on 17th March 2017 is at the valuation done by the Government Chief Valuer. The land is situated at 30A, Malalasekara Mawatha, Colombo 07 with a land extent of 174.76 perches. This grant needs to be utilised for the provisions under section 2 sub-schedule 1 & 2 of the State Land Ordinance as stated in the Presidential grant no 4/10/22311 dated 17th March 2017.

The Institute of Chartered Accountants of Sri Lanka

Notes to the Financial Statements (Contd.)

Note 4 - Intangible assets

Cost

	<i>Software Rs. '000</i>	<i>Software licences Rs. '000</i>	<i>Study material development Rs. '000</i>	<i>Work-in progress - projects Rs. '000</i>	<i>Total Rs. '000</i>
Balance as at 1st January 2016	18,056	3,786	78,725	1,907	102,474
Additions	1,868	491	-	382	2,741
Derecognition of intangible assets of APFASL	-	-	(1,337)	-	(1,337)
Capitalised during the year	370	-	638	(1,008)	-
Work-in Progress written off	-	-	-	(1,050)	(1,050)
Balance as at 1st January 2017	20,294	4,277	78,026	231	102,828
Additions	976	663	53	2,079	3,771
Capitalised during the year	-	-	275	(275)	-
Balance as at 31st December 2017	21,270	4,940	78,354	2,035	106,599

Amortisation

	<i>Software Rs. '000</i>	<i>Software licences Rs. '000</i>	<i>Study material development Rs. '000</i>	<i>Work-in progress - projects Rs. '000</i>	<i>Total Rs. '000</i>
Balance as at 1st January 2016	14,290	2,585	20,499	-	37,374
Amortisation for the year	1,628	620	14,497	-	16,745
Balance as at 1st January 2017	15,918	3,205	34,996	-	54,119
Amortisation for the year	1,946	673	21,628	-	24,247
Balance as at 31st December 2017	17,864	3,878	56,624	-	78,366

Carrying Amounts

As at 31st December 2017	3,406	1,062	21,730	2,035	28,233
As at 31st December 2016	4,376	1,072	43,030	231	48,709
As at					

**31.12.2017
Rs. '000**

**31.12.2016
Rs. '000**

Note 5 - Library books

Balance at the beginning of the year	1,455	1,510
Additions	353	1,407
Depreciation	(1,104)	(1,462)
Balance at the end of the year	704	1,455

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

	<i>As at</i>	<i>31.12.2017</i> <i>Rs. '000</i>	<i>31.12.2016</i> <i>Rs. '000</i>
Note 6 - Loans and Advances to Staff			
Receivable within one year		7,762	9,716
Receivable after one year		11,336	18,932
Total		19,098	28,648
Note 7 - Held to Maturity Financial Assets			
Maturity within one year - FDs		556,304	151,533
- Bonds		29,832	57,753
		586,136	209,286
Maturity after one year - FDs		-	172,297
- Bonds		71,517	101,968
		71,517	274,265
Total		657,653	483,551
7.1 Movement during the year			
Balance as at 1st January		483,551	328,718
Investments made during the year		535,750	470,750
Maturities during the year		(392,426)	(329,844)
Net interest for the year		56,110	35,292
Net interest received		(25,332)	(21,365)
Balance as at 31st December		657,653	483,551

Investments in FDs include Rs. 25mn designated for the Audit quality assurance fund.

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

Note 8 - Available for Sale Financial Assets

Maturity after one year

Balance as at 1st January	34,547	36,778
Interest for the year	3,090	3,150
Coupon interest received	(3,751)	(3,751)
Fair value changes	2,133	(1,630)
Balance as at 31st December	36,019	34,547

Investments in treasury bonds have been made through state owned banks with a credit rating of AA+

Fair Value Measurement

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

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

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

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

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

	<i>As at</i>	<i>31.12.2017</i> <i>Rs. '000</i>	<i>31.12.2016</i> <i>Rs. '000</i>
Note 9 - Inventories			
Study packs and study materials		8,179	13,602
Publications		4,240	5,094
Stationery, consumables and others		3,887	5,741
Total		16,306	24,437
Note 10 - Receivables			
Receivables - Lead sponsors		11,000	16,000
- Event sponsors		6,750	11,500
- Courses and other		19,543	17,497
Deposits and prepayments		5,334	5,700
Pre-paid staff cost		2,960	4,542
Advances		3,814	2,666
Total		49,401	57,905
Note 11 - Cash and Cash Equivalents			
Favourable balances			
Treasury bill re-purchase agreements		45,014	53,000
Cash at banks		49,896	48,425
Cash in hand		101	285
Total		95,011	101,710
Unfavourable balances			
Bank overdrafts		(10,751)	(22,981)
Total cash and cash equivalents for the purpose of statement of cash flows		84,260	78,729

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

Note 12 - Designated Funds

12.1 Summary

		<i>Balance as at 1.1.2017 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Donations Received Rs. '000</i>	<i>(Payments) Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>	<i>Balance as at 31.12.2016 Rs. '000</i>
Designated scholarship funds	12.2	27,384	12,987	27	(10,934)	29,464	27,384
Other designated funds	12.3	3,249	3,060	-		6,309	3,249
Total designated funds		30,633	16,047	27	(10,934)	35,773	30,633

		<i>Balance as at 1.1.2017 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Donations Received Rs. '000</i>	<i>(Payments) Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>	<i>Balance as at 31.12.2016 Rs. '000</i>
12.2 Designated scholarship funds							
L A Weerasinghe memorial needy scholarship fund		12,440	1,042	27	(3,081)	10,428	12,440
Merit scholarship fund		6,896	2,050	-	(3,777)	5,169	6,896
CA Sri Lanka scholarship funds		8,048	9,895	-	(4,076)	13,867	8,048
Total designated scholarship funds		27,384	12,987	27	(10,934)	29,464	27,384

		<i>Balance as at 1.1.2017 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Donations Received Rs. '000</i>	<i>(Payments) Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>	<i>Balance as at 31.12.2016 Rs. '000</i>
12.3 Other designated funds							
Faculty of Taxation fund		615	59	-	-	674	615
Faculty of Auditing fund		594	57	-	-	651	594
Publication fund		385	37	-	-	422	385
Urgent Issues Task Force fund		422	40	-	-	462	422
Audit Quality Assurance fund		1,233	2,867	-	-	4,100	1,233
Total other designated funds		3,249	3,060	-	-	6,309	3,249

Audit Quality Assurance Fund was formed by designating an investment in Fixed Deposit amounting to Rs. 25 mn, of which the interest income is transferrable to the fund every year w.e.f. 1st July 2016. During the year 2017 interest amounting to Rs. 2,866,890/- has been transferred to Audit Quality Assurance Fund.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

Note 13 - Restricted Funds and Grants

13.1 Summary

		<i>Balance as at 1.1.2017 Rs. '000</i>	<i>Transfers to funds Rs. '000</i>	<i>Grants/ Donations received Rs. '000</i>	<i>(Reimbursements & Amortisation) Rs. '000</i>	<i>Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>	<i>Balance as at 31.12.2016 Rs. '000</i>
Grants	13.2	2,497	-	3,100	(4,767)	-	830	2,497
Other restricted funds	13.3	7,281	694	-	(34)	-	7,941	7,281
Restricted scholarship funds	13.4	7,876	695	1,993	-	(2,163)	8,401	7,876
Total restricted funds and grants		17,654	1,389	5,093	(4,801)	(2,163)	17,172	17,654

		<i>Balance as at 1.1.2017 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Grants received Rs. '000</i>	<i>(Reimbursements & Amortisation) Rs. '000</i>	<i>Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>	<i>Balance as at 31.12.2016 Rs. '000</i>
13.2 Grants								
World Bank grant - IRQUE project	13.2.1	1,966	-	-	-	(1,217)	749	1,966
World Bank grant - Strengthening the Institute of Chartered Accountants of Sri Lanka	13.2.2	145	-	-	-	(110)	35	145
PricewaterhouseCoopers grant	13.2.3	340	-	-	-	(340)	-	340
Ernst & Young SME grant	13.2.4	46	-	-	-	-	46	46
		2,497	-	-	- *	(1,667) *	830	2,497

Revenue grants

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) grant	13.2.5	-	-	2,500	(2,500)	-	-	-
Government grant	13.2.6	-	-	600	(600)	-	-	-
Total grants		2,497	-	3,100	(3,100)	(1,667)	830	2,497

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

	2017 Rs. '000	2016 Rs. '000
Grants - Total expenditure		
World Bank grant - Strengthening the Institute of Chartered Accountants of Sri Lanka	110	111
World Bank grant - IRQUE project	1,217	1,232
PricewaterhouseCoopers grant	340	340
Ernst & Young SME grant	-	1,254
GIZ Project grant	-	261
GIZ grant	-	5,667
ICTA/SLASSCOM grant	-	5,323
GIZ grant for SMPs	-	2,469
GIZ grant for Lagging Region Training Programme	-	2,069
Total	1,667 *	18,726

* Grants -Total expenditure represents amortisation amounting to Rs. 1,667,000/-.

13.2.1 - World Bank Grant - IRQUE Project

	Balance as at 1.1.2017 Rs. '000	Grants (Amortisation) received Rs. '000	Rs. '000	Balance as at 31.12.2017 Rs. '000	Balance as at 31.12.2016 Rs. '000
Furniture and equipment	468	-	(468)	-	468
Motor coach	1,498	-	(749)	749	1,498
Total	1,966	-	(1,217)	749	1,966

Amortisation of grants consists of amortisation of property, plant and equipment related grant amounting to Rs. 1,216,812/- (Note 3)

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

	2017 Rs. '000	2016 Rs. '000
Component 3 : Programme to increase adoption of IFRSs	110	111
	110	111

Total expenditure of Rs. 110,000/- is the depreciation charge relating to two laptops and a digital screen.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

13.2.3 PricewaterhouseCoopers Grant: This amount represents the HR system worth Rs.1.7 mn, received free of charge from PricewaterhouseCoopers.

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

13.2.5 SLAASMB Grant: A grant of Rs.2.5 mn was received from the Treasury (through the Sri Lanka Accounting and Auditing Standards Monitoring Board - SLAASMB) for the development of accounting and auditing standards. This was utilised in full for the said purpose.

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

	<i>Balance as at 1.1.2017</i>	<i>Transfer of interest income to funds</i>	<i>Donations received</i>	<i>(Reimbursements)</i>	<i>Balance as at 31.12.2017</i>	<i>Balance as at 31.12.2016</i>
	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>
13.3 Other restricted funds						
Best annual report competition fund (Note 13.3.1)	7,281	694	-	(34)	7,941	7,281
Total other restricted funds	7,281	694	-	(34)	7,941	7,281

13.3.1 Best annual report competition fund

	<i>Balance as at 1.1.2017</i>	<i>Transfer of interest income to funds</i>	<i>Donations received</i>	<i>(Reimbursements)</i>	<i>Balance as at 31.12.2017</i>	<i>Balance as at 31.12.2016</i>
	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>	<i>Rs. '000</i>
Deshabandu Albert Page (1992)	983	94	-	(8)	1,069	983
Late Mr. Cyril Gardiner (1992)	5,949	567	-	(18)		5,498
Hayleys PLC (1994)	349	33	-	(8)	374	349
Total	7,281	694	-	(34)	7,941	7,281

The Institute of Chartered Accountants of Sri Lanka

Notes to the Financial Statements (Contd.)

	<i>Balance as at 1.1.2017 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Donations received Rs. '000</i>	<i>(Payments) Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>	<i>Balance as at 31.12.2016 Rs. '000</i>
13.4 Restricted scholarship funds						
CA Sri Lanka UK Members' scholarship fund	37	4	-	-	41	37
Prof. Y A D S Samararatunga memorial fund	274	21	-	(103)	192	274
Prof. Kodagoda memorial fund	248	19	-	(96)	171	248
PricewaterhouseCoopers scholarship fund		19	-	(74)	186	241
Ernst & Young scholarship fund	3,531	329	779 *	(970)	3,669	3,531
Miss. Inoka Gunaratne memorial fund	59	6	-	-	65	59
Pelwatta Sugar Industries Ltd. fund	508	42	-	(118)	432	508
Members' scholarship fund	1,180	97	196 **	(518)	955	1,180
Dalton Wijeyeratne memorial scholarship fund	9	-	-	-	9	9
Mr. Sanjaya Bandara scholarship fund	975	89	18	(105)	977	975
Mr. Chandradasa Liyanage scholarship fund	414	35	-	(82)	367	414
A.L.B.Brito Mutunayagam memorial scholarship fund	400	34	-	(97)	337	400
CA Qatar Chapter Scholarship Fund	-	-	1,000	-	1,000	-
Total restricted scholarship funds	7,876	695	1,993	(2,163)	8,401	7,876

* Includes Rs. 390,000/- received from Mr. Manil Jayesinghe.

** Includes Rs. 10,000/- received from Mr. Dulitha Perera.

Note 14 - Endowment Funds

14.1 Summary

		<i>Balance as at 1.1.2017 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Donations received Rs. '000</i>	<i>Transfers Rs. '000</i>	<i>(Payments) Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>	<i>Balance as at 31.12.2016 Rs. '000</i>
Capital balances - prize funds	14.2	1,392	-	91	(91)	-	1,392	1,392
Income balances - prize funds	14.3	725	204	-	91	(454)	566	725
Total endowment funds		2,117	204	91	-	(454)	1,958	2,117

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

		<i>Balance as at 1.1.2017 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Donations received Rs. '000</i>	<i>(Transfers to income account) Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>	<i>Balance as at 31.12.2016 Rs. '000</i>
14.2 Capital balances - prize funds							
CA Sri Lanka President's fund	(1992)	25	-	-	-	25	25
B R De Silva memorial fund	(1992)	25	-	-	-	25	25
A D B Talwatte fund	(1993)	25	-	-	-	25	25
Satchithananda memorial fund	(1993)	16	-	-	-	16	16
Kreston MNS fund	(1993)	30	-	-	-	30	30
Nivard Cabraal fund	(1994)	50	-	-	-	50	50
Reyaz Mihular fund	(1996)	25	-	-	-	25	25
D R Settinayake memorial fund	(1999)	68	-	-	-	68	68
ADE de S Wijeyeratne memorial fund	(1999)	43	-	-	-	43	43
Mohan Abeynaike fund	(1999)	25	-	-	-	25	25
KPMG fund	(1999)	113	-	-	-	113	113
Ernst & Young fund	(1999)	200	-	-	-	200	200
SJMS Associates fund	(1999)	66	-	-	-	66	66
Sunil Piyawardena & Co fund	(1999)	55	-	-	-	55	55
Lal Nanayakkara & Co fund	(2000)	75	-	-	-	75	75
G C B Wijeyesinghe memorial fund	(2000)	50	-	-	-	50	50
Nihal Hettiarachchi fund	(2000)	51	-	91	(91)	51	51
Jayaweera & Co fund	(2000)	25	-	-	-	25	25
Brito Mutunayagam memorial fund	(2003)	129	-	-	-	129	129
PricewaterhouseCoopers fund	(2006)	150	-	-	-	150	150
K G H De Silva Prize fund	(2006)	121	-	-	-	121	121
BDO Partners Prize fund	(2014)	25	-	-	-	25	25
Total		1,392	-	91	(91)	1,392	1,392

<i>Balance as at 1.1.2017 Rs. '000</i>	<i>Contribution from the institute Rs. '000</i>	<i>Transfers from capital account Rs. '000</i>	<i>(Payments) Rs. '000</i>	<i>Balance as at 31.12.2017 Rs. '000</i>	<i>Balance as at 31.12.2016 Rs. '000</i>
--	---	--	--------------------------------	--	--

14.3 Income balances - endowment funds

Prize funds - income balances	725	204	91	(454)	566	725
	725	204	91	(454)	566	725

The Institute of Chartered Accountants of Sri Lanka

Notes to the Financial Statements (Contd.)

As at

31.12.2017 31.12.2016
Rs. '000 Rs. '000

Note 15 - Retirement Benefit Obligation

Balance at the beginning of the year	31,821	27,808
Provision made during the year (Note 15.1)	3,603	7,445
Payments made during the year	(7,603)	(3,432)
Balance at the end of the year	27,821	31,821

15.1 - Provision made during the year

Interest cost	3,819	2,598
Current service cost	2,912	3,397
	6,731	5,995
Net actuarial (gain) / loss recognised	(3,128)	1,450
Total provision made during the year	3,603	7,445

15.2 Actuarial and Management Consultants (Pvt) Ltd., qualified actuaries carried out an actuarial valuation on the defined benefit plan-gratuity as at 31st December 2017. The assumptions used in determining the cost of retirement benefits are as follows.

	2017	2016
Rate of discount	11% per annum	12% per annum
Rate of salary increase	8%	10.5%
Retirement age	55 years	55 years

	2017	2016
	Increase / (decrease) of defined benefit obligation Rs. '000	Increase / (decrease) of defined benefit obligation Rs. '000
Sensitivity analysis to discount rate		
One percentage point increase	(862)	(712)
One percentage point decrease	922	755
Sensitivity analysis to salary escalation rate		
One percentage point increase	1,063	876
One percentage point decrease	(1,009)	(842)

Note 16 - Payables

Accrued charges	57,938	45,352
Payables to suppliers	18,357	20,156
Payables-capital projects	1,702	8,681
Payables on self-study courses and other payables	6,829	5,064
Value Added Tax payables	214	12
Total	85,040	79,265

The Institute of Chartered Accountants of Sri Lanka

Notes to the Financial Statements (Contd.)

As at

	31.12.2017 Rs. '000	31.12.2016 Rs. '000
Note 17 - Income Tax Liability		
Balance brought forward	80	90
Charge for the year (Note 27)	7,060	4,875
Interest income recognised for the year on which WHT deductions are due at maturity	(3,608)	(1,575)
Tax payable on cash basis	3,452	3,300
Over provision for previous years	-	143
Total payable	3,452	3,443
Notional tax credits	(1,942)	(2,157)
WHT deductions during the year	(1,395)	(1,018)
Tax paid during the year	(116)	(278)
	(3,454)	(3,453)
Balance carried forward	79	80
Note 18 - Receipts in advance		
Advances received for educational activities	116,580	133,861
Advances received for member subscription and events	49,611	50,905
Total	166,191	184,766

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER

	2017			2016		
Note 19 - Income and Expenditure (Excluding employee costs)						
	<i>Income Rs. '000</i>	<i>(Expenditure) Rs. '000</i>	<i>Net Income/ (Expenditure) Rs. '000</i>	<i>Income Rs. '000</i>	<i>(Expenditure) Rs. '000</i>	<i>Net Income/ (Expenditure) Rs. '000</i>
Performance by activity						
Learning and professional development	560,076	(231,345)	328,731	569,308	(240,873)	328,435
Continuous professional development and member related activities	146,467	(90,402)	56,065	137,904	(80,589)	57,315
Financial reporting and assurance standards related activities	40,270	(33,433)	6,837	37,908	(32,688)	5,220
Library related activities	593	(2,035)	(1,442)	584	(2,669)	(2,085)
Net sponsorship income*	8,855	-	8,855	6,685	-	6,685
Total	756,261	(357,215)	399,046	752,389	(356,819)	395,570
Analysis by divisions						
Examinations	189,566	(92,979)	96,587	194,448	(98,280)	96,168
Registration, Education, Training, Library and Marketing	185,260	(65,260)	120,000	198,591	(63,164)	135,427
IT Training and Language Centre	38,871	(11,874)	26,997	45,573	(14,238)	31,335
Members' activities **	185,424	(111,908)	73,516	177,082	(100,734)	76,348
Business school	33,380	(18,377)	15,003	51,345	(27,173)	24,172
Taxation faculty	26,742	(11,697)	15,045	24,008	(10,960)	13,048
School of Accounting and Business	80,997	(32,543)	48,454	48,121	(28,840)	19,281
CPD secretariat	986	(564)	422	618	(742)	(124)
Technical research	15,035	(12,013)	3,022	12,603	(12,688)	(85)
Total	756,261	(357,215)	399,046	752,389	(356,819)	395,570
**Member activities include Rs. 10.6 mn paid for foreign travel during the year 2017.						
	<i>2017 Rs. '000</i>		<i>2016 Rs. '000</i>			
*						
Gross Sponsorship Income	17,500		16,000			
Utilization of sponsorship benefits	(8,644)		(9,315)			
Net Sponsorship Income	8,856		6,685			

The Institute of Chartered Accountants of Sri Lanka

Notes to the Financial Statements (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER

	2017 Rs. '000	2016 Rs. '000
Note 20 - Other Operating Income		
Income from hire of halls	4,366	1,957
Profit on sale of publications	763	540
Gain on disposal of property, plant and equipment	10	123
Miscellaneous income	888	1,621
Total other operating income	6,027	4,241
Note 21 - Employee Costs		
Salaries and wages	171,681	165,430
Defined contribution plan cost		
- Employees' Provident Fund	17,679	17,598
- Employees' Trust Fund	3,536	3,520
Contractual and casual payments	7,714	5,961
Staff development and welfare	6,444	7,004
Amortisation of pre-paid staff cost	3,816	2,480
Defined benefit plan cost	6,731	5,995
Total employee costs	217,601	207,988
No. of employees as at year end	142	151
Note 22 -Maintenance of Premises		
Utilities	14,977	17,161
Maintenance of building	15,617	18,433
Maintenance of equipment	4,718	4,826
Total maintenance of premises	35,312	40,420
Note 23 - Depreciation and Amortisation		
Depreciation for the year	54,513	53,532
Depreciation of library books	1,104	1,462
Amortisation of intangible assets	24,247	16,745
	79,864	71,739
Amortisation of capital grant	(1,667)	(1,683)
Depreciation charged to expenditure on learning and professional development	(1,504)	(1,861)
Total depreciation and amortisation	76,693	68,195
Note 24 - Other Expenses		
Communication expenses	24,161	26,270
Travelling expenses	1,455	1,586
Bank charges and commissions	4,083	3,760
Professional fees	3,834	2,800
Work - in progress written off	-	1,050
Auditors' remuneration	330	300
Legal fees	3,404	6,897
Review of Business plan and HR plan	-	3,071
Stationery and sundry expenses	2,317	2,813
Total other expenses	39,584	48,547

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER

	2017 Rs. '000	2016 Rs. '000
Note 25 - Finance Income		
Interest income on available for sale financial assets	3,433	3,500
Interest income on investments in re-purchase agreements	3,669	4,788
Interest income on held-to-maturity financial assets	62,346	39,213
	69,448	47,501
Interest income on loans and receivables	4,966	3,729
Total Finance income	74,414	51,230
Note 26 - Finance cost		
Interest Expense	-	127
Total Finance cost	-	127
The institute received an interest free loan from Securities and Exchange Commission and the above amount represents the adjustment for the market interest rate. This loan has been fully settled in 2016.		
Note 27 - Income tax		
Reconciliation between current tax expenses/(reversal) and the accounting surplus/(deficit);		
Surplus for the year before tax	794,791	71,154
Finance income	(74,414)	(51,230)
Surplus not liable for tax	720,377	19,924
Finance income for the year	74,414	51,230
Amortisation of pre-paid staff cost	(3,816)	(2,480)
Finance income liable for income tax	70,598	48,750
Taxation at 10%	7,060	4,875
Current tax provision	7,060	4,875
(Over) / Under provision in respect of previous years	-	143
Charge for the year	7,060	5,018

27.1: The amount shown as the charge for the year in respect of tax liability of the institute is the amount referable to finance income considered on the accrual basis. However in the income tax returns the interest income liable to withholding tax would be reported on a cash basis i.e. on the basis taxes are withheld.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

Note 28 - Events Occurring after the Reporting Period

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

Note 29 - Commitments

Capital Commitments

As at

	<i>31.12.2017</i> <i>Rs. '000</i>	<i>31.12.2016</i> <i>Rs. '000</i>
Authorised but not contracted		
Intangible assets	100,000	100,000
Property, plant and equipment	41,000	-
Total	141,000	100,000

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

Note 30 - Contingent Liabilities

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

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

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

Note 31 - Related Party Transactions

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

For the year ended 31st December

<i>Name</i>	<i>Transactions</i>	<i>2017 Rs. '000</i>	<i>2016 Rs. '000</i>
Mr. S. M. S. S. Bandara *	Educational activities	90	226
	Technical activities	206	171
	Lecture fees	41	19
Mr. Heshana Kuruppu	Educational activities	-	3
Mr. Manil Jayesinghe **	Technical activities	390	390
Mr. Tishan Subasinghe	Technical activities	6	-
Mr. Kapila Atukorala	Educational activities	-	138
Mr. Jagath Perera	Lecture fees	-	32
Mr. Dulitha Perera***	Technical activities	10	10

* An amount of Rs. 17,812/- which had been paid to Mr. S.M.S.S. Bandara by the institute in connection with the services rendered during the year was returned to the institute and credited to Mr. Sanjaya Bandara scholarship fund at the request of Mr. S.M.S.S. Bandara.

** An amount of Rs. 390,000/- which had been paid to Mr. Manil Jayesinghe by the institute in connection with the services rendered during the year was returned to the institute and credited to the Ernst & Young scholarship fund at the request of Mr. Manil Jayesinghe.

*** An amount of Rs. 10,000/- which had been paid to Mr. Dulitha Perera by the institute in connection with the services rendered during the year was returned to the institute and credited to the Members' scholarship fund at the request of Mr. Dulitha Perera.

Note 32 - Transactions entered into by the Institute with other organizations where Council members are Partners of those organizations.

An amount of Rs. 234,189/- which had been paid to PricewaterhouseCoopers where Mr. Thivanka Jayasinghe is a partner and also a member of the council of the Institute, in connection with the subsequent modifications and upgrades made to the Human Resources Information System.

Note 33 - Transactions engaged between CA Sri Lanka and AAT, where CA Sri Lanka appoints eight council members out of the sixteen of AAT.

For the year ended 31st December

	<i>2017 Rs. '000</i>	<i>2016 Rs. '000</i>
Payments to AAT		
Advertisement in organizer	30	30
Sponsorships	-	750
Receipts from AAT		
Advertisement in organizer	30	30
Registration and tickets for Annual Report Awards Competition	130	110

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

Note 34 - Financial Risk Management

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

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

1. Credit Risk

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

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

Carrying Value as at 31st December

	<i>2017</i> <i>Rs. '000</i>	<i>2016</i> <i>Rs. '000</i>
Fixed deposits	556,304	323,830
Treasury bonds	137,368	194,268
Loans and receivables	56,391	73,645
Treasury bill re-purchase agreements	45,014	53,000
Total	795,077	644,743

2. Liquidity Risk

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

Maturity Analysis of Financial Assets and Liabilities

<i>Description</i>	<i>On Demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>2 to 3 years</i>	<i>More than 3 years</i>	<i>Total</i>
Financial Assets						
Receivables	25,175	12,118	-	-	-	37,293
Loans and advances to staff	-	2,138	5,624	8,879	2,457	19,098
Fixed deposits	-	52,743	503,561	-	-	556,304
Treasury bonds	-	29,833	-	36,019	71,516	137,368
Treasury bill re-purchase agreements	-	45,014	-	-	-	45,014
Cash and cash equivalents	49,997	-	-	-	-	49,997
	<u>75,172</u>	<u>141,846</u>	<u>509,185</u>	<u>44,898</u>	<u>73,973</u>	<u>845,074</u>
Financial Liabilities						
Payables	(18,357)	(7,043)	(1,702)	-	-	(27,102)
Bank overdrafts	(10,751)	-	-	-	-	(10,751)
	<u>(29,108)</u>	<u>(7,043)</u>	<u>(1,702)</u>	<u>-</u>	<u>-</u>	<u>(37,853)</u>
Net financial assets	<u>46,064</u>	<u>134,803</u>	<u>507,483</u>	<u>44,898</u>	<u>73,973</u>	<u>807,221</u>

3. Market Risk

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

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

F.B. LANDER PRIZE FUND

STATEMENT OF FINANCIAL POSITION

AS AT	31.12.2017		31.12.2016	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS				
Balance at National Savings Bank		733		703
		733		703
EQUITY AND LIABILITIES				
Capital		13		13
Income Account				
Balance as at 1 st January	690		660	
Add: Interest for the year	30	720	30	690
		733		703

CYRIL E. BEGBIE MEMORIAL PRIZE FUND

STATEMENT OF FINANCIAL POSITION

AS AT	31.12.2017		31.12.2016	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS				
Balance at National Savings Bank		87		224
		87		224
EQUITY AND LIABILITIES				
Capital		10		10
Income Account				
Balance as at 1 st January	73		80	
Add: Interest for the year	4		10	
Less : Prize Fund	(28)		(17)	
Balance as at 31st December		49		73
Creditors - CA Sri Lanka		28		141
		87		224

04- 815