



ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ ගැසට් පත්‍රය

අති විශේෂ

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

අංක 2326/43 - 2023 අප්‍රේල් මස 06 වැනි බ්‍රහස්පතින්දා - 2023.04.06

No. 2326/43 - THURSDAY, APRIL 06, 2023

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Financial Statements for the year ended 31 December 2022

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of The Institute of Chartered Accountants of Sri Lanka (the Institute), which comprise the Statement of financial position as at December 31, 2022, and the Statement of comprehensive income, Statement of changes in funds and reserves, and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. I have also audited the statements of Financial Position of F B Lander Prize Fund and Cyril E Begbie Memorial Prize Fund as at 31 December 2022.

In my opinion, so far as appears from my examination, the accompanying financial statements give a true and fair view of the financial position of the Institute, F B Lander Prize Fund and Cyril E Begbie Memorial Prize Fund as at



December 31, 2022 and financial performance of the Institute and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Other Information

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

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

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

Responsibilities of Management and those who charged with governance for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of the audit in accordance with SLAuSs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

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

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

Report on Other Legal and Regulatory Requirements

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

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

Colombo
27th March, 2023

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

As at 31 December		2022	2021
	Note	Rs.'000	Rs.'000
Assets			
Non-current assets			
Property, plant and equipment	3	1,277,394	1,265,707
Intangible assets	4	33,473	52,389
Library books	5	1,116	669
Loans and advances to staff	6	13,737	11,085
Financial assets at amortised cost	7	1,588,665	-
Total non-current assets		2,914,385	1,329,850
Current assets			
Inventories	8	48,336	32,368
Receivables	9	235,714	217,433
Loans and advances to staff	6	7,371	6,609
Financial assets at amortised cost	7	87,544	1,522,083
Cash and cash equivalents	10	127,998	71,244
Total current assets		506,963	1,849,737
Total assets		3,421,348	3,179,587
Funds and liabilities			
Accumulated fund and reserves			
Accumulated fund		2,019,786	1,801,906
Government grant		699,000	699,000
OCI reserve		12,607	6,490
Designated funds		36,343	-
Total accumulated fund and reserves		2,767,736	2,507,396
Funds and grants			
Designated funds	11	67,700	90,677
Restricted funds and grants	12	25,028	20,336
Endowment funds	13	1,570	1,777
Total funds and grants		94,298	112,790
Non-current liabilities			
Retirement benefit obligation	14	25,074	25,974
Lease liability	15	58,471	78,661
Total non-current liabilities		83,545	104,635
Current liabilities			
Payables and advances	16	379,690	378,930
Lease liability	15	25,441	24,015
Income tax payable	17	17,333	5,551
Deferred income		51,388	45,413
Bank overdrafts	10	1,917	857
Total current liabilities		475,769	454,766
Total liabilities		559,314	559,401
Total funds and liabilities		3,421,348	3,179,587

The accounting policies and notes on pages 05 to 38 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.

<Signed>
Lathika Wijayawardana
Head of Finance

<Signed>
Dulani Fernando
Chief Executive Officer

Signed for and on behalf of the Council.

<Signed>
Sanjaya Bandara
President

<Signed>
Heshana Kuruppu
Vice President

Colombo
27 March, 2023.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA
Statement of Comprehensive Income

For the Year Ended 31 December		2022	2021
	Note Page No	Rs.'000	Rs.'000
Income	18	912,642	852,599
Expenditure	18	(394,112)	(298,338)
Net income before employee costs and operating expenses		518,530	554,261
Other income			
Other operating income	19	2,036	1,481
Operating income		520,566	555,742
Operating expenses			
Employee costs	20	(296,354)	(253,140)
Maintenance of premises	21	(39,388)	(30,227)
Depreciation and amortisation	22	(86,294)	(86,557)
Other expenses	23	(58,142)	(41,466)
Total operating expenses		(480,178)	(411,390)
Net operating income		40,388	144,352
Income from grants and other restricted funds	12.1	4,376	5,089
Contribution to designated funds	11.1	(25,551)	(23,779)
Transfers to restricted funds and grants	12.1	(2,593)	(917)
Contribution to endowment funds	13	(313)	(116)
		(24,081)	(19,723)
Finance income	24.1	243,586	89,095
Finance cost	24.2	(8,528)	(5,437)
Income over expenditure for the year before tax		251,365	208,287
Income tax expense	25	(33,485)	(23,080)
Income over expenditure for the year after tax		217,880	185,207
Other comprehensive income			

Items that will not be reclassified subsequently to profit or loss

Actuarial gain/ (loss) on defined benefit obligation	14.1	6,117	4,345
Total comprehensive income for the year after tax		223,997	189,552

The accounting policies and notes on pages 05 to 38 form an integral part of these financial statements.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Statement of Changes in Funds and Reserves

For the Year Ended 31 December 2022

	Accumulated fund Rs.'000	Government grant Rs.'000	OCI reserve Rs.'000	Designated funds Rs.'000	Total Rs.'000
Balance as at 1 January 2021	1,616,699	699,000	2,145	-	2,317,844
Income over expenditure for the year after tax	185,207	-	-	-	185,207
Actuarial loss on defined benefit obligation	-	-	4,345	-	4,345
Balance as at 31 December 2021	1,801,906	699,000	6,490	-	2,507,396
Balance as at 1 January 2022	1,801,906	699,000	6,490	-	2,507,396
Income over expenditure for the year after tax	217,880	-	-	-	217,880
Actuarial gain on defined benefit obligation	-	-	6,117	-	6,117
Designated funds reclassified as reserves	-	-	-	36,343	36,343
Balance as at 31 December 2022	2,019,786	699,000	12,607	36,343	2,767,736

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

The accounting policies and notes on pages 05 to 38 form an integral part of these financial statements.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA
Statement of Cash Flows

For the year ended 31 December		2022	2021
	Note Page No	Rs.'000	Rs.'000
Cash flows from operating activities			
Income over expenditure for the year before tax		251,365	208,287
Adjustments for;			
Depreciation and amortisation	22	87,199	87,381
Reimbursements and amortisation of restricted funds and grants	12.1	(4,376)	(5,089)
Contribution to designated funds	11.1	25,551	23,779
Transfers to restricted funds and grants	12.1	2,593	917
Contribution to endowment funds	13	313	116
Provision for defined benefit plan	14.1	6,895	4,562
Loss on disposal of property, plant and equipment	19	10	-
Amortisation of prepaid staff cost	20	6,590	1,880
Finance income	24.1	(243,586)	(89,095)
Finance cost	24.2	6,851	5,437
Operating income over expenditure before working capital changes		139,405	238,175
(Increase) / decrease in inventory	8	(15,968)	5,488
(Increase) / decrease in receivables	9	(18,281)	(70,383)
(Increase) / decrease in loans and advances to staff	6	(3,414)	3,561
Increase / (decrease) in payables and advances	16	760	11,713
Increase / (decrease) in deferred income		5,975	(11,648)
Cash generated from operations		108,477	176,906
Tax paid	17	(21,703)	(13,645)
Gratuity paid	14	(1,678)	(10,270)
Rent paid		(25,615)	(9,134)
Net cash inflow from operating activities		59,481	143,857
Cash flows from/ (used in) investing activities			
Acquisition of property, plant and equipment and library books	3,5	(73,182)	(75,926)
Acquisition of intangible assets	4	(7,245)	(10,888)
Investments in financial assets at amortised cost		(2,525,193)	(3,466,952)
Maturity proceeds received from financial assets at amortised cost		2,376,159	3,305,421
Finance income received		231,903	95,193
Net cash flow from / (used in) investing activities		2,442	(153,153)
Cash flows from / (used in) financing activities			
Donations received to designated funds	11.1	18	2,641
Receipts to restricted funds and grants	12.1	31,457	5,702
Payments made from designated funds	11.1	(12,203)	(13,467)
Payments made from restricted funds	12.1	(24,982)	(785)
Payments made from endowment funds	13	(520)	(638)
Net cash flow used in financing activities		(6,230)	(6,547)

For the year ended 31 December		2022	2021
	Note Page No	Rs.'000	Rs.'000
Net increase / (decrease) in cash and cash equivalents		55,693	(15,843)
Cash and cash equivalents at the beginning of the year		70,387	86,230
Cash and cash equivalents at the end of the year	10	126,081	70,387

The accounting policies and notes on pages 05 to 38 form an integral part of these financial statements.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December 2022

1. General Information

1.1 Legal and Domicile Form

The Institute of Chartered Accountants of Sri Lanka (the Institute) is a statutory body incorporated by Institute of Chartered Accountants Act No. 23 of 1959 (The Act), and domiciled in Sri Lanka, situated at 30A, Malalasekara Mawatha, Colombo 07.

1.2 Principal Activities and Nature of Operations

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

1.3 Going Concern

The Council of the Institute has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue its operations in the foreseeable future. Furthermore, the council is not aware of any

material uncertainties that may cast a significant doubt upon the ability of the Institute to continue as a going concern. The Council has considered the consequences of current economic crisis of the country, other events, and conditions in determining the going concern. Accordingly, the Council has assessed its ability to continue as a going concern and is satisfied that it has adequate resources to continue for the foreseeable future. Further, the Council is not aware of any material uncertainties that may cast significant doubt upon the Institute's ability to continue as a going concern. Therefore, the Financial Statements of the Institute continued to be prepared on a going concern basis.

1.4 Financial Period

The financial period of the Institute represents a twelve-month period from 1st January 2022 to 31st December 2022.

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

APFASL has been set up jointly with the Institute of Public Finance and Development Accountancy (IPFDA) and The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in 2012, to enhance the capacity of public sector financial management professionals. Both CA Sri Lanka and IPFDA have equally contributed Rs. 10mn as initial investment for this project. In terms of paragraph 5.9 of the Articles of Constitution of APFASL, on the occasion of dissolution, the fund will 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.

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

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

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

1.6 Basis of Preparation of Financial Statements

1.6.1 Statement of Compliance

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

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

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

1.6.2 **Basis of Measurement**

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

1.6.3 **Comparative Information**

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

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

1.6.4 **Responsibility and Approval of Financial Statements**

The Council of The Institute of Chartered Accountants of Sri Lanka acknowledges their responsibility for the financial statements and financial statements were approved and authorised for issue by the Council at the meeting held on 27 March 2023.

1.6.5 **Materiality and Aggregation**

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

1.6.6 **Functional and Presentation Currency**

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

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

1.7 **Significant Accounting Estimates and Judgments**

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

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

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

a) **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.

b) Estimating the Incremental Borrowing Rate

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

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;

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

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

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

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

(a) **Right of Use Assets and Lease Liabilities**

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

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

Asset Category	Useful Life (Years)
Right of use asset	10
Improvements to Right of use asset	10

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

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

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

(d) **Derecognition**

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

2.1.2 **Library Books**

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

2.1.3 **Capital Work-In-Progress**

Capital work-in-progress is stated at cost, less any impairment losses. These are expenses of a capital nature, directly incurred in the construction of property, plant and equipment awaiting capitalisation. Capital work-

in-progress would be transferred to the relevant asset category in property, plant and equipment, when it is available for use i.e., when it is in the location and conditions necessary for it to be capable of operating in the manner intended by the Institute.

2.1.4 Intangible Assets

a. Computer Software

Acquired computer software licenses are 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 to ten (5-10) years.

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

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

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

Costs recognized as intangible assets are amortised over their estimated useful lives, which do not exceed ten (10) years. Costs relating to development of software are carried in capital work in progress until the software is ready for use.

b. Study Material

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

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

2.1.5 Inventories

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

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

2.1.6 Impairment of Non-Financial Assets

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

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

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

2.1.7 Financial Assets - Initial Recognition and Measurement

(a) SLFRS 9 Financial Instruments

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

(b) Financial Assets

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

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

(b) Financial Assets (Contd....)

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

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

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

- a) The financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows and

- b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

2.1.8 Derecognition of Financial Assets

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

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

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

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

2.1.9 Impairment of Financial Assets

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

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Institute expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

2.1.10 Reclassification

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

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

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

2.1.11 Financial Liabilities

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. The Institute does not have financial liabilities other than payables for the year ended 31st December 2022.

2.1.12 Cash and Cash Equivalents

The Institute considers cash in hand as amounts due from banks and short-term deposits with an original maturity of three months or less to be “Cash and cash equivalents”.

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

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

2.2 Liabilities and Provisions

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

2.2.1 Deferred Income

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

2.2.2 Provisions

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

2.2.3 Employee Benefits

(a) Employee Defined Benefit Plan - Gratuity

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

valuation as of 31 December 2022. The Institute's accounting policy for gratuity is to recognise actuarial gains and losses in the period in which they occur in full in the statement of other comprehensive income.

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

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

2.2.4 Taxation

a) Income Tax

The provision for current taxation has been computed in accordance with the Inland Revenue Act No 24 of 2017 and as amended subsequently by Inland Revenue (Amendment) Act, No. 45 of 2022.

b) Deferred Taxation

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

2.2.5 Translation of Foreign Currency Transactions

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

2.3 Accounting for the Receipt and Utilization of Funds, Grants and Reserves

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

2.3.1 Unrestricted Funds

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

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

Designated Funds

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

(a) Funds

Name of the Designated Fund	Purpose
Needy Students' Scholarship Fund	
L. A. Weerasinghe Memorial Needy Scholarship Fund	Help deserving and promising CA Sri Lanka students
Merit Scholarship Funds	
<ul style="list-style-type: none"> ❖ General Fund ❖ CA Sri Lanka Scholarship Funds <ul style="list-style-type: none"> · District 1st Scholarship Fund · A/L Top 10 Scholarship Fund · Children of staff members' Scholarship Fund · Inter-school Commerce competition Scholarship Fund · National Conference Scholarship Fund · CA Talent Scholarship Fund · Top achievers at A/L tutorial Scholarship Fund · Non-commerce Student Scholarship Funds 	Help deserving and promising students who have shown exceptional performance at CA Sri Lanka examinations and undergoing Business level training.
Other Funds	
Faculty of Taxation Fund	Development of the tax profession
Faculty of Auditing Fund	Development of the auditing profession
Publication Fund	Development of publications
Urgent Issues Task Force Fund	Interpretation of accounting issues
Audit Quality Assurance Fund	Conducting audit quality assurance related activities
New Technological Development Fund	New developments and technological areas, researches and simulation of the newly developed tools in order to obtain real life experience for CA students.
Needy Members Medical Expenses Fund	Medical assistance of needy members

2.3.2 Restricted Funds

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

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

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

Name of the Restricted Fund	Purpose
Needy Students' Scholarship Funds	
❖ CA Sri Lanka UK Members' Scholarship Fund	
❖ Dalton Wijeyeratne Memorial Scholarship Fund	
❖ Prof. Y.A.D.S. Samaratunga Memorial Fund	Help deserving and promising students to realize their future ambition of becoming a Chartered Accountant
❖ Prof. Kodagoda Memorial Fund	
❖ Members' Scholarship Fund	
❖ PricewaterhouseCoopers Scholarship Fund	
❖ Mr. Sanjaya Bandara Scholarship Fund	
❖ Mr. Chandradasa Liyanage Scholarship Fund	
❖ Mr. A.L.B. Brito Mutunayagam Memorial Scholarship Fund	
❖ Pelwatta Sugar Industries Ltd Fund	
❖ CA Qatar Chapter Scholarship Fund	
❖ Ernst & Young scholarship Fund	Institute is the administrator of the scholarships granted to Audit trainees
❖ Miss. Inoka Gunaratne Memorial Fund	Help deserving and promising students
Grants	
Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) Grant	Promulgating accounting and auditing standards

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

2.3.3 Endowment Funds

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

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

Name of the Endowment Fund	Purpose
Prize Funds	
<ul style="list-style-type: none"> • CA Sri Lanka President's Fund • B R De Silva Memorial Fund • A D B Talwatte Fund • Satchithananda Memorial Fund • Kreston MNS Fund • Nivard Cabraal Fund • Reyaz Mihular Fund 	<p>Awarding subject prizes and merit prizes for the best performance of each examination.</p>

Name of the Endowment Fund	Purpose
Prize Funds	
<ul style="list-style-type: none"> • D R Settinayake Memorial Fund • A D E De S Wijeyeratne Memorial Fund • Mohan Abeynaikie 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 	

The Institute's policies regarding the endowment funds are;

i. Investment Policy:

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

ii. Withdrawal Policy:

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

iii. Fund Usage Policy:

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

2.3.4 Grants

2.3.4.1 Land Received as a Government Grant:

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

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

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

2.3.4.2 Revenue Grants

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

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

2.4 Statement of Comprehensive Income

2.4.1 Income Recognition

(a) Income

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

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

Following table provides the details of the sources of revenue and recognition of revenue upon satisfaction of performance obligations as per SLFRS 15.

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

(b) Other Income

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

No.	Source of Other Income	Applicable Accounting Standards / Interpretations	Accounting Treatment
01.	Income from Hire of Halls	Conceptual Framework	Income from hire of halls is recognised on accrual basis.
02.	Sponsorships and Contributions	Conceptual Framework	Income from sponsorships and contributions is recognised on accrual basis.
03.	Gains/Losses on Sale of Property, Plant and Equipment	LKAS 16	Net gains and losses on the disposal of property, plant and equipment are recognised in the statement of comprehensive income after deducting from the proceeds on disposal, the carrying value of the item disposed of and any related selling expenses. In the case of any revalued asset, any balance remaining in the revaluation reserve account is transferred to the statement of comprehensive income at the time of disposal of the assets.
04.	Miscellaneous Income	Conceptual Framework	Any other income not specified above is recognised on accrual basis.

(c) Restricted Contributions / Income

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

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

(c) Restricted Contributions / Income (Contd....)

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

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

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

(d) Finance Income:

Finance income comprise of Interest income which has been recognised using effective interest rate method (EIR) according to SLFRS 09 Financial Instruments.

2.4.2 Expenditure Recognition

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

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

(a) Project Expenses

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

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

(b) Operational Expense

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

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

(c) Finance Expense

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

2.5 Statement of Cash Flows

The statement of cash flows has been prepared by using the 'Indirect Method' of preparing of cash flows in accordance with Sri Lanka Accounting Standard- LKAS 7 on 'Statement of Cash Flows'. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 10.

2.6 Capital Commitments and Contingencies

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

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

2.7 Events After the Reporting Period

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

2.8 Amendments to Accounting Standards issued but not yet effective

The Institute has applied the following standards and amendments for the first time for its annual reporting periods commencing 1 January 2022:

- Amendment to IAS 16, Property, Plant and Equipment
- Amendments to IFRS 3, Reference to the Conceptual Framework
- Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018–2020

The following amendments to the Sri Lanka Accounting Standards effective for annual periods beginning on or after 1 January 2023 are not expected to have a material effect on the financial statements of the Institute:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Disclosure Initiative: Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates (Amendments to IAS 8)
- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

3 - Property, plant and equipment**Cost**

	Land Rs.'000	Buildings Rs.'000	Right of use asset Rs.'000	Improvements to right of use asset Rs.'000	Furniture Rs.'000	Plant and machinery Rs.'000	Motor vehicles Rs.'000	Computers, Servers & IT Equipment Rs.'000	Total Rs.'000
Balance as at 1 January 2021	699,000	507,569	-	-	97,203	143,213	12,282	76,564	1,535,831
Additions	-	-	106,373	36,849	13,596	8,091	-	16,740	181,649
Balance as at 31 December 2021	699,000	507,569	106,373	36,849	110,799	151,304	12,282	93,304	1,717,480
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	1,409	-	32,277	17,590	4,021	-	16,533	71,830
					(30)				(30)
Balance as at 31 December 2022	699,000	508,978	106,373	69,126	128,359	155,325	12,282	109,837	1,789,280

Accumulated depreciation

	Land Rs.'000	Buildings Rs.'000	Right of use asset Rs.'000	Improvements to right of use asset Rs.'000	Furniture Rs.'000	Plant and machinery Rs.'000	Motor vehicles Rs.'000	Computers, Servers & IT Equipment Rs.'000	Total Rs.'000
Balance as at 1 January 2021	-	150,176	-	-	73,024	119,753	12,215	47,899	403,067
Depreciation charge for the year	-	14,947	14,183	695	5,803	6,304	16	6,758	48,706
Balance as at 31 December 2021	-	165,123	14,183	695	78,827	126,057	12,231	54,657	451,773
Depreciation charge for the year	-	14,951	9,878	5,772	9,249	8,879	15	11,389	60,133
Disposals	-	-	-	-	(20)	-	-	-	(20)
Balance as at 31 December 2022	-	180,074	24,061	6,467	88,056	134,936	12,246	66,046	511,886

Carrying amounts

As at 31 December 2022	699,000	328,904	82,312	62,659	40,303	20,389	36	43,791	1,277,394
------------------------	---------	---------	--------	--------	--------	--------	----	--------	-----------

As at 31 December 2021	699,000	342,446	92,190	36,154	31,972	25,247	51	38,647	1,265,707
------------------------	---------	---------	--------	--------	--------	--------	----	--------	-----------

3.1 The land on which the Institute's buildings are situated is a conditional government grant to the Institute. This land, which is situated at 30A, Malalasekara Mawatha, Colombo 07 with a land extent of 174.76 perches has been valued by the Government Chief Valuer on 17th March 2017, at a value of Rs. 699Mn.

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

3.2 The building rented out for SAB Campus has been categorised as Right of use asset.

3.3 Fully depreciated property, plant and equipment

As at 31st December	2022 Rs.'000	2021 Rs.'000
Buildings	16,938	16,938
Furniture	48,381	20,571
Plant and machinery	125,547	86,110
Motor vehicles	12,121	12,121
Computers, Servers and IT equipment	46,138	44,345
Total	249,125	180,085

3.4 Impairment of property, plant and equipment

The Management has assessed the potential impairment loss of property, plant and equipment as at 31st December 2022. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

3.5 Property, plant and equipment pledged as security

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

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

4 - Intangible assets

Cost

	Software Rs.'000	Software licences Rs.'000	Study material development Rs.'000	Work-in- progress projects Rs.'000	Total Rs.'000
Balance as at 1 January 2021	25,487	9,406	180,246	20,849	235,988
Additions	931	-	-	9,957	10,888
Capitalised during the year	23,945	-	-	(23,945)	-
Balance as at 31st December 2021	50,363	9,406	180,246	6,861	246,876
Additions	1,512	-	2,783	2,950	7,245
Capitalised during the year	-	-	3,640	(3,640)	-
Balance as at 31st December 2022	51,875	9,406	186,669	6,171	254,121

Amortisation

	Software Rs.'000	Software licences Rs.'000	Study material development Rs.'000	Work-in- progress - projects Rs.'000	Total Rs.'000
Balance as at 1st January 2021	22,208	5,491	128,937	-	156,636
Amortisation for the year	3,413	1,640	32,798	-	37,851
Balance as at 31st December 2021	25,621	7,131	161,735	-	194,487
Amortisation for the year	5,958	1,571	18,632	-	26,161
Balance as at 31st December 2022	31,579	8,702	180,367	-	220,648

Carrying amounts

As at 31st December 2022	20,296	704	6,302	6,171	33,473
As at 31st December 2021	24,742	2,275	18,511	6,861	52,389

4.1 Impairment of intangible assets

The Management has assessed the potential impairment loss of intangible assets as at 31st December 2022. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of intangible assets.

4.2 Intangible assets pledged as security

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

4.3 Title restriction on intangible assets

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

5 - Library books

As at 31st December	2022 Rs.'000	2021 Rs.'000
Balance at the beginning of the year	669	843
Additions	1,352	650
Depreciation	(905)	(824)
Balance at the end of the year	1,116	669

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

6 - Loans and advances to staff

As at 31st December	2022 Rs.'000	2021 Rs.'000
Receivable within one year	7,371	6,609
Receivable after one year	13,737	11,085
Total	21,108	17,694

7 - Financial assets at amortised cost

As at 31st December	2022 Rs.'000	2021 Rs.'000
Maturity within one year - Fixed Deposits	87,544	1,522,083
	87,544	1,522,083
Maturity after one year - Fixed Deposits	150,000	-
- Bonds	1,438,665	-
	1,588,665	-
Total	1,676,209	1,522,083

As at 31st December	2022		2021	
	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Fixed Deposits	150,000	150,000	-	-
Treasury Bonds	1,438,665	1,167,319	-	-
Total	1,588,665	1,317,319	-	-

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

Fixed deposits have been made in a state owned bank with a credit rating of A

7.1 Impairment of financial assets

Impairment of expected credit loss is immaterial.

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

8 - Inventories

As at 31st December	2022 Rs.'000	2021 Rs.'000
Study packs and study materials	24,909	15,689
Publications	8,662	9,462
Stationery, consumables and others	14,765	7,217
Total	48,336	32,368

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA Notes to the Financial Statements (Contd.)

9 - Receivables

As at 31st December	2022 Rs.'000	2021 Rs.'000
Receivables	218,891	200,222
Less: Provisions	(13,321)	(13,506)
Deposits and prepayments	24,559	20,853
Prepaid staff cost	580	1,885
Advances	5,005	7,979
Total	235,714	217,433

10 - Cash and cash equivalents

As at 31st December	2022 Rs.'000	2021 Rs.'000
<u>Favourable balances</u>		
Treasury bill repurchase agreements	80,029	48,000
Cash at banks	47,814	23,143
Cash in hand	155	101
Total	127,998	71,244
<u>Unfavourable balances</u>		
Bank overdrafts	(1,917)	(857)
Total cash and cash equivalents for the purpose of statement of cash flows	126,081	70,387

Repo investments which fall under government securities is backed by treasury bills and bonds which are provided as collateral.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

11 - Designated funds
11.1 Summary

	Balance as at 1.1.2022 Rs.'000	Balance as Contribution from the Institute Rs.'000	Donations / Receipts Rs.'000	(Payments) Rs.'000	(Transfers to reserves) Rs.'000	Balance as at 31.12.2022 Rs.'000	Balance as at 31.12.2021 Rs.'000
Designated scholarship funds	11.2 50,884	23,980	18	(10,648)	-	64,234	50,884
Other designated funds	11.3 39,793	1,571	-	(1,555)	(36,343)	3,466	39,793
Total designated funds	90,677	25,551	18	(12,203)	(36,343)	67,700	90,677
	Balance as at 1.1.2022 Rs.'000	Balance as at 1.1.2022 Rs.'000	Contribution from the Institute Rs.'000	Donations / Receipts Rs.'000	(Payments) Rs.'000	Balance as at 31.12.2022 Rs.'000	Balance as at 31.12.2021 Rs.'000
11.2 Designated scholarship funds							
L A Weerasinghe memorial needy scholarship fund	3,853		2,497	18	(2,268)	4,100	3,853
Merit scholarship fund	1,483		6,641	-	(4,694)	3,430	1,483
CA Sri Lanka scholarship funds *	31,067		7,899	-	(3,686)	35,280	31,067
Non- commerce student scholarship fund **	14,481		6,943	-	-	21,424	14,481
Total designated scholarship funds	50,884		23,980	18	(10,648)	64,234	50,884

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

** Non commerce student scholarship Fund was formed by designating an investment in Fixed Deposit amounting to Rs. 60 mn, of which the interest income is transferrable to the fund every year. During the year 2022 interest amounting to Rs. 6,942,803/- has been transferred to Non commerce student scholarship Fund.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA
Notes to the Financial Statements (Contd.)

11.3 Other designated funds

	Balance as at 1.1.2022 Rs.'000	Contribution from the Institute Rs.'000	(Payments) Rs.'000	(Transfers to reserves) Rs.'000	Balance as at 31.12.2022 Rs.'000	Balance as at 31.12.2021 Rs.'000
Faculty of Taxation fund	934	124	-	-	1,058	934
Faculty of Auditing fund	900	121	-	-	1,021	900
Publication fund	584	78	-	-	662	584
Urgent Issues Task Force fund	639	86	-	-	725	639
Audit quality assurance fund *	13,593	-	-	(13,593)	-	13,593
New technology developments fund *	22,865	-	(1,012)	(21,853)	-	22,865
Needy members' medical expenses fund **	278	1,162	(543)	(897)	-	278
Total other designated funds	39,793	1,571	(1,555)	(36,343)	3,466	39,793

* Audit Quality Assurance Fund and New Technology Development Fund were formed by designating an investment in Fixed Deposit amounting to Rs. 25 mn and Rs. 100mn respectively have been reclassified under Accumulated fund and reserves with effect from 31st December 2022.

** Needy Members Medical Expenses Fund was formed by designating an investment in Fixed Deposit amounting to Rs. 10 mn, of which the interest income is transferable to the fund every year. During the year 2022 interest amounting to Rs. 1,161,667/- has been transferred to Needy Members Medical Expenses Fund. This has also been reclassified under Accumulated fund and reserves with effect from 31st December 2022.

12 - Restricted funds and grants

12.1 Summary

	Balance as at 1.1.2022 Rs.'000	Transfers to funds Rs.'000	Grants/ Donations received Rs.'000	(Reimbursements & Amortisation) Rs.'000	(Payments) Rs.'000	Balance as at 31.12.2022 Rs.'000	Balance as at 31.12.2021 Rs.'000
Grants	46	-	4,000	(4,000)	-	46	46
Other restricted funds	10,460	1,285	26,931	(376)	(24,399)	13,901	10,460
Restricted scholarship funds	9,830	1,308	526	-	(583)	11,081	9,830
Total restricted funds and grants	20,336	2,593	31,457	(4,376)	(24,982)	25,028	20,336

	Balance as at at 1.1.2022 Rs.'000	Contribution from the Institute Rs.'000	Grants received Rs.'000	(Reimbursements) Rs.'000	(Reversal) Rs.'000	Balance as at 31.12.2022 Rs.'000	Balance as at 31.12.2021 Rs.'000
12.2 Grants							
Ernst & Young SME grant	46	-	-	-	-	46	46
					*		
Revenue grants	46	-	-	-	-	46	46
Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) grant	-	-	4,000	(4,000)	-	-	-
Total grants	46	-	4,000	(4,000)	-	46	46

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

12.2.2 SLAASMB Grant: During the year Rs. 4mn granted from Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) for the development of accounting and auditing standards, which was utilised in full for the said purpose.

	Balance as at 1.1.2022 Rs.'000	Contribution from the Institute Rs.'000	Donations received Rs.'000	(Reimburse- ments/Payments) Rs.'000	Balance as at 31.12.2022 Rs.'000	Balance as at 31.12.2021 Rs.'000
12.3 Other restricted funds						
Best annual report competition fund (Note 12.3.1)	9,820	1,285	-	(376)	10,729	9,820
Mr. Chandra Jayaratne Good Governance Research Fund	640	-	-	-	640	640
United Nations Development Programme Fund	-	-	26,931	(24,399)	2,532	-
Total other restricted funds	10,460	1,285	26,931	(24,775)	13,901	10,460

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA
Notes to the Financial Statements (Contd.)

12.3.1 Best annual report competition fund					
Balance as at 1.1.2022	Contribution from the Institute	Donations received	(Reimbursements)	Balance as at 31.12.2022	Balance as at 31.12.2021
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
1,314	172	-	-	1,486	1,314
8,057	1,054	-	(376)	8,735	8,057
449	59	-	-	508	449
9,820	1,285	-	(376)	10,729	9,820
Total					
12.4 Restricted scholarship funds					
Balance as at 1.1.2022	Contribution from the Institute	Donations / Receipts	(Payments)	Balance as at 31.12.2022	Balance as at 31.12.2021
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
57	8	-	-	65	57
125	17	-	-	142	125
31	4	-	-	35	31
70	9	-	-	79	70
5,451	738	432*	(262)	6,359	5,451
90	12	-	-	102	90
427	57	-	-	484	427
1,556	211	94	(58)	1,803	1,556
12.4 Restricted scholarship funds					
CA Sri Lanka UK Members' scholarship fund					
Prof. Y A D S Samararatunga memorial fund					
Prof. Kodagoda memorial fund					
PricewaterhouseCoopers scholarship fund					
Ernst & Young scholarship fund					
Miss. Inoka Gunaratne memorial fund					
Pelwatta Sugar Industries Ltd. fund					
Members' scholarship fund					

Dalton Wijeyeratne memorial scholarship fund	12	2	-	-	14	12
Mr. Sanjaya Bandara scholarship fund	214	16	-	(179)	51	214
Mr. Chandradasa Liyanage scholarship fund	370	49	-	-	419	370
A.L.B.Brito Mutunayagam memorial scholarship fund	93	12	-	(1)	104	93
CA Qatar Chapter Scholarship fund	1,334	173	-	(83)	1,424	1,334
Total restricted scholarship funds	9,830	1,308	526	(583)	11,081	9,830

* Includes Rs. 390,000/- paid to Mr. Manil Jayasinghe by the Institute for the services rendered by him.

13 - Endowment funds

	Balance as at 1.1.2022	Contribution from the Institute	Donations received	Transfers	(Payments)	Balance as at 31.12.2022	Balance as at 31.12.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Capital balances - prize funds	1,392	-	-	-	-	1,392	1,392
Income balances - prize funds	385	313	-	-	(520)	178	385
Total endowment funds	1,777	313	-	-	(520)	1,570	1,777

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

14 - Retirement benefit obligation

As at 31st December	Note	2022 Rs.'000	2021 Rs.'000
Balance at the beginning of the year		25,974	36,027
Provision made during the year	14.1	778	217
Payments made during the year		(1,678)	(10,270)
Balance at the end of the year		25,074	25,974
14.1 - Provision made during the year			
Past Service Cost		-	(1,415)
Interest cost		2,935	2,882
Current service cost		3,960	3,095
Net actuarial (gain)/loss recognised		6,895	4,562
		(6,117)	(4,345)
		778	217
Total provision made during the year			

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

14.2 Principal actuarial assumptions used

Actuarial and Management Consultants (Pvt) Ltd., qualified actuaries carried out an actuarial valuation on the defined benefit plan-gratuity as at 31 December 2022. The assumptions used in determining the cost of retirement benefits are as follows.

Assumption	2022	2021
Discount interest rate *	19% per annum	11.3% per annum
Staff turnover rate	17% per annum	13% per annum
Salary increment rate	7.0%	7.0%
Retirement age	60 years	60 years

*

In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate of 19% p.a (2021 - 11.3% p.a) has been used to discount future liabilities considering anticipated long term rate of inflation.

14.3 Sensitivity analysis

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

As at 31st December	2022	2021
	Increase / (decrease) of defined benefit obligation Rs. '000	Increase / (decrease) of defined benefit obligation Rs. '000
Sensitivity analysis to discount rate		
1% increase in discount rate	(732)	(1,215)
1% decrease in discount rate	779	1,332
Sensitivity analysis to salary escalation rate		
1% increase in salary escalation rate	909	1,429
1% decrease in salary escalation rate	(862)	(1,322)

14.4 Maturity Profile of the defined benefit obligation

Future working life time As at 31 December	Defined benefit obligation	
	2022 Rs.'000	2021 Rs.'000
Within next 12 months	6,076	3,702
Between 1 to 5 years	13,033	10,617
Between 5 to 10 years	4,632	8,155
Beyond 10 years	1,333	3,500
Total	25,074	25,974

Weighted Average duration of Defined Benefit Obligation is 3.6 years (2021 - 5.42 years)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Notes to the Financial Statements (Contd.)

15 - Lease liability

As at 31st December	2022 Rs.'000	2021 Rs.'000
Payable within one year	25,441	24,015
Payable after one year	58,471	78,661
Total	83,912	102,676

16 - Payables and advances

As at 31 December	2022	2021
	Rs.'000	Rs.'000
Accrued charges	124,192	119,352
Payables	38,008	44,116
Refundable deposits	50	50
Advances	217,440	215,412
Total	379,690	378,930

17 - Income tax payable

As at 31 December		2022	2021
	Note	Rs.'000	Rs.'000
Balance brought forward		6,509	(2,926)
Charge for the year			
Total payable	25	33,485	12,431
		39,994	9,505
Tax paid during the year			(13,645)
Under provision for previous years		(21,703)	
Income tax payable		-	10,649
		18,291	6,509
Income tax receivable		(958)	(958)
Net income tax payable		17,333	5,551

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA
Notes to the Financial Statements (Contd.)

I කොටස : (I) ඡේදය - ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ අති විශේෂ ගැසට් පත්‍රය - 2023.04.06
 PART I : SEC. (I) - GAZETTE EXTRAORDINARY OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA - 06.04.2023

41A

For the year ended 31 December	2022		2021	
Note 18 - Income and expenditure (Excluding employee costs)				
	Income Rs.'000	(Expenditure) Rs.'000	Net Income/ (Expenditure) Rs.'000	Income Rs.'000
Performance by activity				
Learning and professional development	674,708	(246,346)	428,362	652,868
Continuous professional development and member related activities	187,385	(114,809)	72,576	162,164
Financial reporting and assurance standards related activities	43,434	(31,566)	11,868	30,750
Library-related activities	151	(1,391)	(1,240)	17
Net sponsorship income	6,964	-	6,964	6,800
Total	912,642	(394,112)	518,530	852,599
				554,261

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA
Notes to the Financial Statements (Contd.)

19 - Other operating income

For the year ended 31 December	2022 Rs.'000	2021 Rs.'000
Income from hire of halls	259	(50)
Profit on sale of publications	286	265
Loss on disposal of property, plant and equipment	(10)	-
Gain on foreign currency transactions	1	-
Miscellaneous income	1,500	1,266
Total other operating income	2,036	1,481

20 - Employee costs

For the year ended 31 December	2022 Rs.'000	2021 Rs.'000
Salaries and wages	221,975	197,272
Defined contribution plan cost		
- Employees' Provident Fund	24,425	23,380
- Employees' Trust Fund	4,885	4,676
Other staff related cost	31,584	21,370
Amortisation of pre-paid staff cost	6,590	1,880
Defined benefit plan cost	6,895	4,562
Total employee costs	296,354	253,140

21 -Maintenance of premises

For the year ended 31 December	2022 Rs.'000	2021 Rs.'000
Utilities	13,113	7,885
Maintenance of building	18,291	17,120
Maintenance of equipment	7,984	5,222
Total maintenance of premises	39,388	30,227

22 - Depreciation and amortisation

For the year ended 31 December	2022 Rs.'000	2021 Rs.'000
Depreciation for the year	60,133	48,706
Depreciation of library books	905	824
Amortisation of intangible assets	26,161	37,851
Depreciation charged to expenditure on learning and professional development	87,199	87,381
Total depreciation and amortisation	(905)	(824)
	86,294	86,557

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA
Notes to the Financial Statements (Contd.)

23 - Other expenses

For the year ended 31 December	2022 Rs.'000	2021 Rs.'000
Legal and Professional fees	4,944	6,729
Auditors' remuneration	419	413
Bank charges and commissions	11,571	11,039
General expenses	41,208	23,285
Total other expenses	58,142	41,466

24 - Net finance income

24.1 Finance income

For the year ended 31 December	2022 Rs.'000	2021 Rs.'000
Interest income from,		
Government securities	183,347	6,754
Fixed deposits	52,846	79,633
Staff loans	7,393	2,708
Total finance income	243,586	89,095

24.2 Finance cost

Interest on bank loans	(1,677)	-
Interest on lease liability	(6,851)	(5,437)
Total finance cost	(8,528)	(5,437)
Net finance income	235,058	83,658

25 - Income tax expense

Reconciliation between current tax expenses and the accounting income over expenditure;

For the year ended 31 December	2022 Rs.'000	2021 Rs.'000
Income over expenditure for the year before tax	251,365	208,287
Net income not liable for income tax	(12,185)	(119,497)
Income liable for tax	239,180	88,790
Taxation	33,485	12,431
Under provision for previous years	-	10,649
Charge for the year	33,485	23,080

Tax liability for the year 2022 is computed at the rate of 14%.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA
Notes to the Financial Statements (Contd.)

26 - Events occurring after the reporting period

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

27 - Commitments

There are no material capital commitments as at reporting date.

Bank Guarantees

The following bank guarantees have been provided as at 31 December 2022.

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

28 - Contingent liabilities

The Institute has received assessments in respect of Value Added Tax (VAT) for the period commencing from 01 April 2012 to 31 December 2014 which amounted to Rs. 61mn and Nation Building Tax (NBT) for the period commencing from 01 July 2009 to 31 December 2014 amounted to Rs. 100mn in separate instances. Further, the Institute has received an assessment in respect of Economic Service Charge (ESC) for the period commencing on 01 April 2009 to 31 March 2012 amounted to Rs. 4.5mn. The Institute has appealed to the Tax Appeals Commission against all the determinations of the Commissioner General which are yet to be taken by the Tax Appeals Commission for hearing.

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

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

29 - Related party transactions

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

For the year ended 31 December		2022	2021
Name	Transactions	Rs.'000	Rs.'000
Mr. Manil Jayesinghe *	Technical activities	390	305
Mr. Ashane Jayasekara	Educational activities	407	312
	Technical activities	100	135
Mr. Laknath Jayawickrama	Educational activities	42	-

* An amount of Rs.390,000 earned by Mr. Manil Jayesinghe for the services rendered to the Institute had been returned and credited to the Ernst & Young scholarship fund at the request of Mr. Manil Jayesinghe.

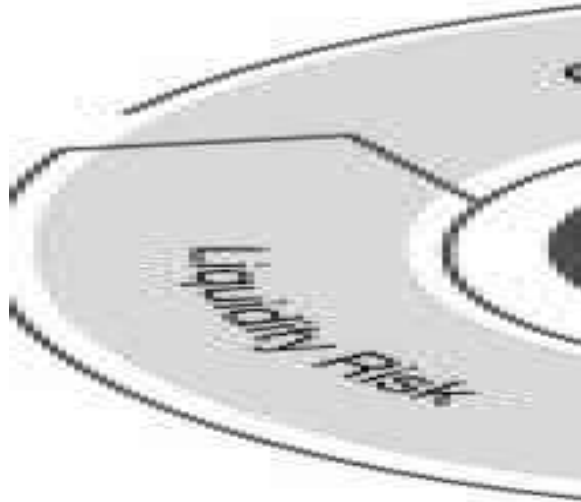
30 - Transactions engaged between CA Sri Lanka and AAT, where CA Sri Lanka appoints eight council members out of the sixteen of AAT.

For the year ended 31 December		2022	2021
		Rs.'000	Rs.'000
Payments to AAT			
Advertisement in organizer		-	30
Sponsorships		1,600	-
Receipts from AAT			
Registration and tickets for Annual Report Awards Competition		302	172
Renewal of Training Organization		-	28

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA
Notes to the Financial Statements (Contd.)

31 - Financial risk management

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



31.1. Credit risk

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

31.1.1

Maximum exposure to credit risk

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

Carrying Value as at 31 December	2022 Rs.'000	2021 Rs.'000
Fixed deposits	87,544	1,522,083
Treasury bonds	1,438,665	-
Loans and receivables	226,678	204,410
Treasury bill re-purchase agreements	80,029	48,000
Maximum exposure to credit risk	1,832,916	1,774,493

31.1.2 Risk response to credit risk

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

Carrying Value as at 31 December	2022 Rs.'000	2021 Rs.'000
Government securities and related institutions		
Treasury Bonds	1,438,665	-
Reverse repurchase agreements	80,029	48,000
Fixed deposits	87,544	1,522,083

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA
Notes to the Financial Statements (Contd.)

Others

Loans and receivables	226,678	204,410
Maximum exposure to credit risk	1,832,916	1,774,493

31.2. Liquidity risk

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

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

Maturity analysis of financial assets and liabilities

Description	On Demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	2 to 3 years Rs.'000	More than 3 years Rs.'000	Total Rs.'000
Financial assets						
Receivables	53,064	152,506	-	-	-	205,570
Loans and advances to staff	-	2,244	5,127	10,249	3,488	21,108
Fixed deposits	-	-	87,544	-	150,000	237,544
Treasury Bonds	-	-	-	-	1,438,665	1,438,665
Cash and cash equivalents	127,998	-	-	-	-	127,998
	181,062	154,750	92,671	10,249	1,592,153	2,030,885
Financial liabilities						
Lease liability	-	(9,756)	(15,685)	(48,945)	(9,526)	(83,912)
Payables	(38,008)	-	-	-	-	(38,008)
	(38,008)	(9,756)	(15,685)	(48,945)	(9,526)	(121,920)
Net financial assets	143,054	144,994	76,986	(38,696)	1,582,627	1,908,965

31.3. Market risk

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

The Institute manages and controls the market risk exposure within acceptable parameters, while optimising the return. The Institute's market risk exposure is minimal.

F.B. LANDER PRIZE FUND
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER	2022		2021	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Balance at National Savings Bank		879		851
		<u>879</u>		<u>851</u>
Equity and liabilities				
Capital		13		13
Income account				
Balance as at 1 January	838		809	
Add: Interest for the year	<u>28</u>	<u>866</u>	<u>29</u>	<u>838</u>
		<u>879</u>		<u>851</u>

CYRIL E.BEGBIE MEMORIAL PRIZE FUND
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER	2022		2021	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Balance at National Savings Bank		36		35
		<u>36</u>		<u>35</u>
Equity and liability				
Capital		10		10
Income account				
Balance as at 1 January	25		24	
Add: Interest for the year	<u>1</u>		<u>1</u>	
Balance as at 31 December		<u>26</u>		<u>25</u>
		<u>36</u>		<u>35</u>

EOG 04-0061