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# The Gazette of the Democratic Socialist Republic of Sri Lanka

## EXTRAORDINARY

අංක 2222/38 - 2021 අප්‍රේල් මස 07 වැනි බදාදා - 2021.04.07

No. 2222/38 – WEDNESDAY, APRIL 07, 2021

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## PART I : SECTION (I) — GENERAL

### Government Notifications

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Financial Statements for the year ended 31st December 2020

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of The Institute of Chartered Accountants of Sri Lanka, (“the institute”), which comprise the statement of financial position as at 31st December 2020, and the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. I have also audited the statements of Financial Position of F B Lander Prize Fund and Cyril E Begbie Memorial Prize Fund as at 31st December 2020.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Institute, F B Lander Prize Fund and Cyril E Begbie Memorial Prize Fund as at 31st December 2020, 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 my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Institute in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Other Information**

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

My opinion on the financial statements does not cover the other information and I will 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 I 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 Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Institute's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with SLAuSs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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

- 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.

I communicate with those 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 control that I identify during my audit.

**S.M.N.L. SENANAYAKE,**  
Chartered Accountant.

Colombo.  
06th April, 2021.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

## STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page No.	2020 Rs.'000	2019 Rs.'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	3	22	1,132,764	1,135,151
Intangible assets	4	23	79,352	103,244
Library books	5	23	843	883
Loans and advances to staff	6	24	13,330	8,033
Financial assets at amortised cost	7	24	-	73,627
<b>Total non-current assets</b>			<b>1,226,289</b>	<b>1,320,938</b>
<b>Current assets</b>				
Inventories	8	25	37,856	15,044
Receivables	9	25	147,050	109,330
Loans and advances to staff	6	24	7,925	6,566
Financial assets at amortised cost	7	24	1,368,529	1,184,705
Income tax	10	25	3,884	8,768
Cash and cash equivalents	11	25	86,730	110,592
<b>Total current assets</b>			<b>1,651,974</b>	<b>1,435,005</b>
<b>Total assets</b>			<b>2,878,263</b>	<b>2,755,943</b>
<b>Funds and liabilities</b>				
<b>Accumulated fund and reserves</b>				
Accumulated fund			1,616,699	1,507,751
Government grant			699,000	699,000
OCI reserve			2,145	3,666
<b>Total accumulated fund and reserves</b>			<b>2,317,844</b>	<b>2,210,417</b>
<b>Funds and grants</b>				
Designated funds	12	26	77,724	57,780
Restricted funds and grants	13	27	19,591	18,430
Endowment funds	14	29	2,299	2,200
<b>Total funds and grants</b>			<b>99,614</b>	<b>78,410</b>
<b>Non-current liabilities</b>				
Retirement benefit obligation	15	30	36,027	30,499
<b>Total non-current liabilities</b>			<b>36,027</b>	<b>30,499</b>

<b>Current liabilities</b>				
Payables	16	31	<b>115,915</b>	221,861
Receipts in advance	17	31	<b>251,302</b>	180,224
Deferred income			<b>57,061</b>	34,426
Bank overdrafts	11	25	<b>500</b>	106
<b>Total current liabilities</b>			<b>424,778</b>	436,617
<b>Total liabilities</b>			<b>460,805</b>	467,116
<b>Total funds and liabilities</b>			<b>2,878,263</b>	2,755,943

The accounting policies and notes on pages 05 to 39 form an integral part of these financial statements.

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

Sgd. ....  
Lathika Wijayawardana  
Head of Finance

Sgd. ....  
Dulani Fernando  
Chief Executive Officer

Signed for and on behalf of the Council.

Sgd. ....  
Manil Jayasinghe  
President

Sgd. ....  
Sanjaya Bandara  
Vice President

Colombo  
April 6, 2021

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 <sup>st</sup> December	Note	Page No	2020 Rs.'000	2019 Rs.'000
Income	18	32	603,189	910,971
Expenditure	18	32	(200,268)	(398,392)
<b>Net income before employee costs and operating expenses</b>			<b>402,921</b>	<b>512,579</b>
<b>Other income</b>				
Other operating income	19	33	1,456	3,719
<b>Operating income</b>			<b>404,377</b>	<b>516,298</b>
<b>Operating expenses</b>				
Employee costs	20	33	(227,990)	(233,286)
Maintenance of premises	21	33	(30,158)	(37,546)
Depreciation and amortisation	22	33	(73,646)	(54,692)
Other expenses	23	34	(41,407)	(56,671)
<b>Total operating expenses</b>			<b>(373,201)</b>	<b>(382,195)</b>
<b>Net operating income</b>			<b>31,176</b>	<b>134,103</b>
Income from grants and other restricted funds	13.1	27	4,000	4,647
Contribution to designated funds	12.1	26	(31,102)	(33,137)
Transfers to restricted funds and grants	13.1	27	(1,472)	(1,770)
Contribution to endowment funds	14.3	29	(206)	(253)
			<b>(28,780)</b>	<b>(30,513)</b>
Finance income	24	34	123,839	134,068
<b>Income over expenditure for the year before tax</b>			<b>126,235</b>	<b>237,658</b>
Income tax reversal / (charge)	25	34	(17,287)	15,289
<b>Income over expenditure for the year after tax</b>			<b>108,948</b>	<b>252,947</b>
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Actuarial gain/ (loss) on defined benefit obligation	15.1	30	(1,521)	1,979
<b>Total comprehensive income</b>			<b>107,427</b>	<b>254,926</b>

The accounting policies and notes on pages 05 to 39 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<sup>st</sup> December 2020**

	Accumulated fund Rs.'000	Government grant Rs.'000	OCI reserve Rs.'000	Total Rs.'000
<b>Balance as at 01<sup>st</sup> January 2019</b>	1,256,491	699,000	-	1,955,491
Reclassification of actuarial gain on defined benefit obligation to OCI reserve	(1,687)	-	1,687	-
<b>Adjusted balance as at 01<sup>st</sup> January 2019</b>	<b>1,254,804</b>	<b>699,000</b>	<b>1,687</b>	<b>1,955,491</b>
Income over expenditure for the year after tax	252,947	-	-	252,947
Actuarial gain on defined benefit obligation	-	-	1,979	1,979
<b>Balance as at 31<sup>st</sup> December 2019</b>	<b>1,507,751</b>	<b>699,000</b>	<b>3,666</b>	<b>2,210,417</b>
<b>Balance as at 01<sup>st</sup> January 2020</b>	1,507,751	699,000	3,666	2,210,417
Income over expenditure for the year after tax	108,948	-	-	108,948
Actuarial loss on defined benefit obligation	-	-	(1,521)	(1,521)
<b>Balance as at 31<sup>st</sup> December 2020</b>	<b>1,616,699</b>	<b>699,000</b>	<b>2,145</b>	<b>2,317,844</b>

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 39 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 <sup>st</sup> December			2020	2019
	Note	Page No	Rs.'000	Rs.'000
<b>Cash flows from operating activities</b>				
Income over expenditure for the year before tax			126,235	237,658
<b>Adjustments for;</b>				
Depreciation and amortisation	22	33	74,406	55,330
Reimbursements and amortisation of restricted funds and grants	13.1	27	(4,000)	(4,647)
Contribution to designated funds	12.1	26	31,102	33,137
Transfers to restricted funds and grants	13.1	27	1,472	1,770
Contribution to endowment funds	14.3	29	206	253
Provision for defined benefit plan	15.1	30	6,541	6,361
Profit on disposal of property, plant and equipment	19	33	(251)	(38)
Amortisation of prepaid staff cost	20	33	1,958	1,896
Finance income	24	34	(123,839)	(134,068)
<b>Operating income over expenditure before working capital changes</b>			113,830	197,652
(Increase) / decrease in inventory	8	25	(22,812)	2,741
(Increase) / decrease in receivables	9	25	(37,720)	(49,831)
(Increase) / decrease in loans and advances to staff	6		(6,656)	1,592
Increase / (decrease) in payables	16		(105,946)	125,829
Increase / (decrease) in deferred income			22,635	4,480
Increase / (decrease) in receipts in advance	17		71,078	(11,863)
<b>Cash generated from operations</b>			34,409	270,600
Tax paid	10	25	(12,403)	(10,027)
Gratuity paid	15	30	(2,534)	(1,990)
<b>Net cash inflow from operating activities</b>			19,472	258,583
<b>Cash flows from/ (used in) investing activities</b>				
Acquisition of property, plant and equipment and library books	3,5	22,23	(34,286)	(14,341)
Acquisition of intangible assets	4	23	(13,801)	(113,993)
Investments in financial assets at amortised cost			(2,046,633)	(1,770,828)
Maturity proceeds received from financial assets at amortised cost			1,912,236	1,596,837
Proceeds on disposal of property, plant and equipment			251	41
Finance income received			146,082	114,422
<b>Net cash flow used in investing activities</b>			(36,152)	(187,862)
<b>Cash flows from / (used in) financing activities</b>				
Donations received to designated funds	12.1	26	20	104
Receipts to restricted funds and grants	13.1	27	4,579	5,711
Donations received to endowment funds	14.1	29	38	-
Payments made from designated funds	12.1	26	(11,178)	(14,707)
Payments made from restricted funds	13.1	27	(890)	(1,821)
Payments made from endowment funds	14.1	29	(145)	(275)
<b>Net cash flow used in financing activities</b>			(7,576)	(10,988)
<b>Net increase / (decrease) in cash and cash equivalents</b>			(24,256)	59,733
Cash and cash equivalents at the beginning of the year			110,486	50,753
<b>Cash and cash equivalents at the end of the year</b>	11	25	86,230	110,486

The accounting policies and notes on pages 05 to 39 form an integral part of these financial statements.



## **1. General Information**

### **1.1 Legal and Domicile Form**

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

### **1.2 Principal Activities and Nature of Operations**

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

### **1.3 Going Concern**

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, 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 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.

### **1.4 Financial Period**

The financial period of the Institute represents a twelve months period from 1<sup>st</sup> January 2020 to 31<sup>st</sup> December 2020.

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

APFASL has been set up jointly with the Institute of Public Finance and Development Accountancy (IPFDA) and The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in 2012, to enhance the capacity of public sector financial management professionals. Both CA Sri Lanka and IPFDA have equally contributed Rs. 10 mn as initial investment for this project. In terms of paragraph 5.9 of the Articles of Constitution of APFASL, on the occasion of dissolution, the fund will either be spent for collective welfare purpose or be granted towards any good cause as the general membership feels best.

The assets and liabilities of Association of Public Finance Accountants of Sri Lanka (APFASL) which had been amalgamated with the Institute financials up to year 2015 have been de- recognised from the financial

statements of the Institute from the year 2016 due to the amendment of certain clauses and provisions of the Constitution of APFASL in order to operate as a more autonomous entity.

## **1.6 Basis of Preparation of Financial Statements**

### **1.6.1 Statement of Compliance**

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

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

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

### **1.6.2 Basis of Measurement**

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

### **1.6.3 Comparative Information**

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

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

### **1.6.4 Responsibility and Approval of Financial Statements**

The Council of The Institute of Chartered Accountants of Sri Lanka acknowledges their responsibility for the financial statements and financial statements were approved and authorised for issue by the Council at the meeting held on 06th April 2021.

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

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

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

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

**b) Defined Benefit Plans**

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

**c) 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, Servers & IT equipment	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 a mortised over the useful life of the related asset.

##### (c) De recognition

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 as set is derecognised.

#### 2.1.2 Library Books

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

#### 2.1.3 Capital Work-In-Progress

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

#### 2.1.4 Intangible Assets

##### a. Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use. These costs are amortised over their estimated useful life of five to ten (5-10) years.

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

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

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

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

##### b. Study Material

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

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

#### 2.1.5 Inventories

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

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

#### 2.1.6 Impairment of Non-Financial Assets

The Institute assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists or when annual impairment testing for an asset is required, the Institute makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In

assessing value in use, the estimated future cash flows are discounted to their present value, using a discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

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

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

## **2.1.7 Financial Assets - Initial Recognition and Measurement**

### **(a) SLFRS 9 Financial Instruments**

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

### **(b) Financial Assets**

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

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

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

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

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

- a) The financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

### 2.1.8 Derecognition of Financial Assets

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

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

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

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

### 2.1.9 Impairment of Financial Assets

The Institute recognizes an allowance for expected credit losses (ECLs) for all debt instruments measured at 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 01<sup>st</sup> January 2018, the Institute has elected the business model of hold to collect the contractual cash flows and measured the instruments at amortized cost.

Prior to 01<sup>st</sup> January 2018 financial assets were classified as held to maturity and available for sale. In complying with SLFRS 9, financial assets are reclassified at amortised cost. Cumulative balance in AFS reserve is removed and is used to adjust the reclassified amortised cost. EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

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

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

### **2.1.11 Financial Liabilities**

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. The Institute does not have financial liabilities for the year ended 31<sup>st</sup> December 2020.

### **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". 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 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 2020. The Institute's accounting policy for gratuity is to recognise actuarial gains and losses in the period in which they occur in full in the statement of other comprehensive income.

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

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



#### **2.2.4 Taxation**

##### **(a) Income Tax**

The provision for current taxation has been computed in accordance with the Inland Revenue Act, No. 24 of 2017.

##### **(b) Other Taxes**

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

##### **(c) Deferred Taxation**

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

#### **2.2.5 Translation of Foreign Currency Transactions**

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

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

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

##### **2.3.1 Unrestricted Funds**

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

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

##### **Designated Funds**

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

## (a) Funds

Name of the Designated Fund	Purpose
<b>Needy Students' Scholarship Fund</b>	
L. A. Weerasinghe Memorial Needy Scholarship Fund	Help deserving and promising CA Sri Lanka students
<b>Merit Scholarship Funds</b>	
<ul style="list-style-type: none"> <li>❖ General Fund</li> <li>❖ CA Sri Lanka Scholarship Funds <ul style="list-style-type: none"> <li>• District 1st Scholarship Fund</li> <li>• A/L Top 10 Scholarship Fund</li> <li>• Children of staff members' Scholarship Fund</li> <li>• Inter-school Commerce competition Scholarship Fund</li> <li>• National Conference Scholarship Fund</li> <li>• CA Talent Scholarship Fund</li> <li>• Top achievers at A/L tutorial Scholarship Fund</li> <li>• Non-commerce Student Scholarship Funds</li> </ul> </li> </ul>	Help deserving and promising students who have shown exceptional performance at CA Sri Lanka examinations and undergoing Business level training.
<b>Other Funds</b>	
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
<b>Needy Students' Scholarship Funds</b>	
❖ CA Sri Lanka UK Members' Scholarship Fund	
❖ Dalton Wijeyeratne Memorial Scholarship Fund	
❖ Prof. Y.A.D.S. Samaratunga Memorial Fund	
❖ Prof. Kodagoda Memorial Fund	
❖ Members' Scholarship Fund	Help deserving and promising students to realize their future ambition of becoming a Chartered Accountant
❖ Price waterhouse Coopers Scholarship Fund	
❖ Mr. Sanjaya Bandara Scholarship Fund	
❖ Mr. Chandradasa Liyanage Scholarship Fund	
❖ Mr. A.L.B. Brito Mutunayagam Memorial Scholarship Fund	
❖ Pelwatta Sugar Industries Ltd Fund	
❖ CA Qatar Chapter Scholarship Fund	
❖ Ernst & Young Scholarship Fund	Institute is the administrator of the scholarships granted to Audit trainees
❖ Miss. Inoka Gunaratne Memorial Fund	Help deserving and promising students
<b>Grants</b>	
Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) Grant	Promulgating accounting and auditing standards

<b>Other Restricted Funds</b>	
<b>Best Annual Report Competition Fund</b>	
<ul style="list-style-type: none"> <li>❖ Deshabandu Albert Page</li> <li>❖ Late Mr. Cyril Gardiner</li> <li>❖ Hayleys PLC</li> </ul>	<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"> <li>• Overall and Sector Awards (Gold, Silver, Bronze)</li> <li>• Corporate Governance Disclosure Award (Gold, Silver, Bronze)</li> <li>• Corporate Social Responsibility Reporting Award (Gold, Silver, Bronze)</li> <li>• Management Commentary Award</li> <li>• Integrated Reporting Award (Gold, Silver, Bronze)</li> <li>• Integrated Reporting - Special Award : Best disclosure on business model and capital management</li> </ul>

### 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.

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

The Institute's policies regarding the endowment funds are;

**i. Investment Policy:**

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

**ii. Withdrawal Policy:**

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

**iii. Fund Usage Policy:**

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

**2.3.4 Grants**

**2.3.4.1 Land Received as a Government Grant:**

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

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

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

**2.3.4.2 Revenue Grants**

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

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

**2.4 Statement of Comprehensive Income**

**2.4.1 Income Recognition**

**(a) Income**

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

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

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

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

**(b) Other Income**

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

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

**(c) Restricted Contributions / Income**

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

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

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

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

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

**(d) Finance Income:**

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

**2.4.2 Expenditure Recognition**

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

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

**(a) Project Expenses**

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

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

**(b) Operational Expenses**

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

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

**(c) Finance Expenses**

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 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.



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

**Cost**

	Land Rs.'000	Buildings Rs.'000	Furniture Rs.'000	Plant and machinery Rs.'000	Motor vehicles Rs.'000	Computers, Servers & IT Equipment Rs.'000	Total Rs.'000
<b>Balance as at 1 January</b>		<b>507,029</b>	<b>94,092</b>	<b>132,665</b>	<b>12,282</b>	<b>56,378</b>	<b>1,501,446</b>
Additions	-	540	4,938	3,453	-	4,322	13,253
Disposals	-	-	(116)	-	-	(188)	(304)
<b>Balance as at 31 December 2019</b>	<b>699,000</b>	<b>507,569</b>	<b>98,914</b>	<b>136,118</b>	<b>12,282</b>	<b>60,512</b>	<b>1,514,395</b>
Additions	-	-	248	7,095	-	26,223	33,566
Disposals	-	-	(1,959)	-	-	(10,171)	(12,130)
<b>Balance as at 31 December 2020</b>	<b>699,000</b>	<b>507,569</b>	<b>97,203</b>	<b>143,213</b>	<b>12,282</b>	<b>76,564</b>	<b>1,535,831</b>

**Accumulated depreciation**

	Land Rs.'000	Buildings Rs.'000	Furniture Rs.'000	Plant and machinery Rs.'000	Motor vehicles Rs.'000	Computers, Servers & IT Equipment Rs.'000	Total Rs.'000
<b>Balance as at 1 January 2019</b>	-	<b>114,500</b>	<b>59,949</b>	<b>103,984</b>	<b>12,183</b>	<b>51,187</b>	<b>341,803</b>
Depreciation charge for the year	-	18,135	7,459	8,419	16	3,713	37,742
Disposals	-	-	(113)	-	-	(188)	(301)
<b>Balance as at 31 December 2019</b>	-	<b>132,635</b>	<b>67,295</b>	<b>112,403</b>	<b>12,199</b>	<b>54,712</b>	<b>379,244</b>
Depreciation charge for the year	-	17,541	7,688	7,350	16	3,358	35,953
Disposals	-	-	(1,959)	-	-	(10,171)	(12,130)
<b>Balance as at 31 December 2020</b>	-	<b>150,176</b>	<b>73,024</b>	<b>119,753</b>	<b>12,215</b>	<b>47,899</b>	<b>403,067</b>

**Carrying amounts**

<b>As at 31 December 2020</b>	<b>699,000</b>	<b>357,393</b>	<b>24,179</b>	<b>23,460</b>	<b>67</b>	<b>28,665</b>	<b>1,132,764</b>
As at 31 December 2019	699,000	374,934	31,619	23,715	83	5,800	1,135,151

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

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

### **3.2 Fully depreciated property, plant and equipment**

As at 31 December	2020	2019
	Rs.'000	Rs.'000
Buildings	16,938	16,938
Furniture	20,281	22,240
Plant and machinery	80,094	77,709
Motor vehicles	12,121	12,121
Computers, Servers and IT equipment	43,351	47,080
<b>Total</b>	<b>172,785</b>	<b>176,088</b>

### **3.3 Impairment of property, plant and equipment**

The Management has assessed the potential impairment loss of property, plant and equipment as at 31 December 2020. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

### **3.4 Property, plant and equipment pledged as security**

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

**Note 4 - Intangible assets**

**Cost**

	Software Rs.'000	Software licences Rs.'000	Study material development Rs.'000	Work-in- progress projects Rs.'000	Total Rs.'000
<b>Balance as at 1 January 2019</b>	<b>23,640</b>	<b>4,940</b>	<b>78,354</b>	<b>1,260</b>	<b>108,194</b>
Additions	771	60	-	113,162	113,993
Capitalised during the year	-	-	101,892	(101,892)	-
<b>Balance as at 31 December 2019</b>	<b>24,411</b>	<b>5,000</b>	<b>180,246</b>	<b>12,530</b>	<b>222,187</b>
Additions	1,076	4,406	-	8,319	13,801
Capitalised during the year	-	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>25,487</b>	<b>9,406</b>	<b>180,246</b>	<b>20,849</b>	<b>235,988</b>

**Amortisation**

	Software Rs.'000	Software licences Rs.'000	Study material development Rs.'000	Work-in- progress - projects Rs.'000	Total Rs.'000
<b>Balance as at 1 January 2019</b>	<b>19,469</b>	<b>4,170</b>	<b>78,354</b>	<b>-</b>	<b>101,993</b>
Amortisation for the year	1,327	275	15,348	-	16,950
<b>Balance as at 31 December 2019</b>	<b>20,796</b>	<b>4,445</b>	<b>93,702</b>	<b>-</b>	<b>118,943</b>
Amortisation for the year	1,412	1,046	35,235	-	37,693
<b>Balance as at 31 December 2020</b>	<b>22,208</b>	<b>5,491</b>	<b>128,937</b>	<b>-</b>	<b>156,636</b>

**Carrying amounts**

<b>As at 31 December 2020</b>	<b>3,279</b>	<b>3,915</b>	<b>51,309</b>	<b>20,849</b>	<b>79,352</b>
As at 31 December 2019	3,615	555	86,544	12,530	103,244

#### 4.1 Impairment of intangible assets

The Management has assessed the potential impairment loss of intangible assets as at 31 December 2020. 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.

#### Note 5 - Library books

As at 31 December	2020 Rs.'000	2019 Rs.'000
Balance at the beginning of the year	883	433
Additions	720	1,088
Depreciation	(760)	(638)
Balance at the end of the year	843	883

#### Note 6 - Loans and advances to staff

As at 31 December	2020 Rs.'000	2019 Rs.'000
Receivable within one year	7,925	6,566
Receivable after one year	13,330	8,033
Total	21,255	14,599

#### Note 7 - Financial assets at amortised cost

As at 31 December	2020 Rs.'000	2019 Rs.'000
Maturity within one year - Fixed Deposits	1,294,270	1,184,705
- Bonds	74,259	-
	1,368,529	1,184,705
Maturity after one year - Bonds	-	73,627
	-	73,627
Total	1,368,529	1,258,332

Investments in FDs include Rs. 25mn designated for the Audit Quality Assurance Fund.

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

#### 7.1 Impairment of financial assets

Impairment of expected credit loss is immaterial.

#### 7.2 Refer Note 31 in page 37 for Risk management disclosures and maturity analysis of the financial assets

<b>Note 8 - Inventories</b>		
<b>As at 31 December</b>	<b>2020</b>	<b>2019</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Study packs and study materials	21,892	4,263
Publications	8,318	5,224
Stationery, consumables and others	7,646	5,557
<b>Total</b>	<b>37,856</b>	<b>15,044</b>
<b>Note 9 - Receivables</b>		
<b>As at 31 December</b>	<b>2020</b>	<b>2019</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Receivables - Lead sponsors	3,500	9,000
- Event sponsors	-	1,500
- Courses and other	119,454	86,340
Deposits and prepayments	17,445	5,363
Prepaid staff cost	2,647	2,491
Advances	4,004	4,636
<b>Total</b>	<b>147,050</b>	<b>109,330</b>
<b>Note 10 - Income tax</b>		
<b>As at 31 December</b>	<b>2020</b>	<b>2019</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Balance brought forward	(8,768)	16,548
Charge for the year (Note 25)	17,287	515
Total payable	8,519	17,063
Over provision for previous years	-	(15,804)
Tax paid during the year	(12,403)	(10,027)
Balance carried forward	(3,884)	(8,768)
<b>Note 11 - Cash and cash equivalents</b>		
<b>As at 31 December</b>	<b>2020</b>	<b>2019</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
<u>Favourable balances</u>		
Treasury bill repurchase agreements	55,000	65,000
Cash at banks	31,629	45,491
Cash in hand	101	101
<b>Total</b>	<b>86,730</b>	<b>110,592</b>
<u>Unfavourable balances</u>		
Bank overdrafts	(500)	(106)
<b>Total cash and cash equivalents for the purpose of statement of cash flows</b>	<b>86,230</b>	<b>110,486</b>

## Note 12 - Designated funds

## 12.1 Summary

	Balance as at 1.1.2020 Rs.'000	Contribution from the Institute Rs.'000	Donations Received Rs.'000	(Payments) Rs.'000	Balance as at 31.12.2020 Rs.'000	Balance as at 31.12.2019 Rs.'000
Designated scholarship funds	34,640	18,446	20	(10,126)	42,980	34,640
Other designated funds	23,140	12,656	-	(1,052)	34,744	23,140
<b>Total designated funds</b>	<b>57,780</b>	<b>31,102</b>	<b>20</b>	<b>(11,178)</b>	<b>77,724</b>	<b>57,780</b>
	Balance as at 1.1.2020 Rs.'000	Contribution from the Institute Rs.'000	Donations Received Rs.'000	(Payments) Rs.'000	Balance as at 31.12.2020 Rs.'000	Balance as at 31.12.2019 Rs.'000
<b>12.2 Designated scholarship funds</b>						
L/A Weerasinghe memorial needy scholar ship fund	5,709	1,435	14	(1,662)	5,496	5,709
Merit scholarship fund	2,010	3,103	4	(4,456)	661	2,010
CA Sri Lanka scholarship funds *	21,155	8,426	2	(4,008)	25,575	21,155
Non- commerce student scholarship fund	5,766	5,482	-	-	11,248	5,766
<b>Total designated scholarship funds</b>	<b>34,640</b>	<b>18,446</b>	<b>20</b>	<b>(10,126)</b>	<b>42,980</b>	<b>34,640</b>

\* 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.

	Balance as at 1.1.2020 Rs.'000	Contribution from the Institute Rs.'000	Donations Received Rs.'000	(Payments) Rs.'000	Balance as at 31.12.2020 Rs.'000	Balance as at 31.12.2019 Rs.'000
<b>12.3 Other designated funds</b>						
Faculty of Taxation fund	825	67	-	-	892	825
Faculty of Auditing fund	796	64	-	-	860	796
Publication fund	516	42	-	-	558	516
Urgent Issues Task Force fund	566	45	-	-	611	566
Audit Quality Assurance fund *	9,866	2,387	-	-	12,253	9,866
New technology developments fund	9,610	9,137	-	(1,052)	17,695	9,610
Needy Members' Medical Expenses fund	961	914	-	-	1,875	961
<b>Total other designated funds</b>	<b>23,140</b>	<b>12,656</b>	<b>-</b>	<b>(1,052)</b>	<b>34,744</b>	<b>23,140</b>

\* Audit Quality Assurance Fund was formed by designating an investment in Fixed Deposit amounting to Rs. 25 mm, of which the interest income is transferrable to the fund every year w.e.f. 1 July 2016. During the Year 2020 interest amounting to Rs. 2,386,880/- has been transferred to Audit Quality Assurance Fund.

**Note 13 - Restricted funds and grants**  
**13.1 Summary**

	Balance as at 1.1.2020	Transfers to funds	Grants/ Donations	(Reimbursements & Amortisation)	(Payments)	Balance as at 31.12.2020	Balance as at 31.12.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Grants	46	-	4,000	(4,000)	-	46	46
Other restricted funds	9,647	780	-	-	-	10,427	9,647
Restricted scholarship funds	8,737	692	579	-	(890)	9,118	8,737
<b>Total restricted funds and grants</b>	<b>18,430</b>	<b>1,472</b>	<b>4,579</b>	<b>(4,000)</b>	<b>(890)</b>	<b>19,591</b>	<b>18,430</b>

	Balance as at 1.1.2020	Contribution from the Institute	Grants received	(Reimbursements)	(Reversal)	Balance as at 31.12.2020	Balance as at 31.12.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>13.2 Grants</b>							
Ernst & Young SME grant	46	-	-	-	-	46	46
	46	-	-	- *	- *	46	46
<b>Revenue grants</b>							
Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) grant	-	-	4,000	(4,000)	-	-	-
<b>Total grants</b>	<b>46</b>	<b>-</b>	<b>4,000</b>	<b>(4,000)</b>	<b>-</b>	<b>46</b>	<b>46</b>

**13.2.1 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).

**13.2.2 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.

13.3 Other restricted funds					
Best annual report competition fund (Note 13.3.1)					
Balance as at 1.1.2020 Rs. '000	Contribution from the Institute Rs. '000	Donations received Rs. '000	(Reimbursements) Rs. '000	Balance as at 31.12.2020 Rs. '000	Balance as at 31.12.2019 Rs. '000
9,647	780	-	-	10,427	9,647
9,647	780	-	-	10,427	9,647
<b>Total other restricted funds</b>					
13.3.1 Best annual report competition fund					
Balance as at 1.1.2020 Rs. '000	Contribution from the Institute Rs. '000	Donations received Rs. '000	(Reimbursements) Rs. '000	Balance as at 31.12.2020 Rs. '000	Balance as at 31.12.2019 Rs. '000
1,291	104	-	-	1,395	1,291
7,915	640	-	-	8,555	7,915
441	36	-	-	477	441
9,647	780	-	-	10,427	9,647
<b>Total</b>					
Balance as at 1.1.2020 Rs. '000	Contribution from the Institute Rs. '000	Donations received Rs. '000	(Payments) Rs. '000	Balance as at 31.12.2020 Rs. '000	Balance as at 31.12.2019 Rs. '000
50	4	-	-	54	50
85	7	-	-	92	85
8	1	-	-	9	8
80	5	-	(23)	62	80
4,921	394	372 *	(454)	5,233	4,921
79	6	-	-	85	79
363	29	-	-	392	363
914	73	133	(154)	966	914
11	1	-	-	12	11
580	39	74 **	(259)	434	580
319	26	-	-	345	319
103	8	-	-	111	103
1,224	99	-	-	1,323	1,224
8,737	692	579	(890)	9,118	8,737
<b>Total restricted scholarship funds</b>					
13.4 Restricted scholarship funds					
CA Sri Lanka UK Members' scholarship fund					
Prof.Y A D S Samarasinghe 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					
Mr. Sanjaya Bandara scholarship fund					
Mr. Chandradasa Liyanage scholarship fund					
A.L.B.Brito Mutunayagam memorial scholarship fund					
CA Qatar Chapter Scholarship fund					
<b>Total restricted scholarship funds</b>					

\* Includes Rs. 330,000/- paid to Mr. Manil Jayasinghe by the Institute for the services rendered by him.

\*\* Represents Rs. 73,500/- paid to Mr. Sanjaya Bandara by the Institute for the services rendered by him.



**Note 14 - Endowment Funds**  
**14.1 Summary**

	Balance as at 1.1.2020 Rs.'000	Contribution from the Institute Rs.'000	Donations received Rs.'000	Transfers Rs.'000	(Payments) Rs.'000	Balance as at 31.12.2020 Rs.'000	Balance as at 31.12.2019 Rs.'000
14.2 Capital balances - prize funds	1,392	-	38	(38)	-	1,392	1,392
14.3 Income balances - prize funds	808	206	-	38	(145)	907	808
<b>Total endowment funds</b>	<b>2,200</b>	<b>206</b>	<b>38</b>	<b>-</b>	<b>(145)</b>	<b>2,299</b>	<b>2,200</b>

**14.2 Capital balances - prize funds**

	Balance as at 1.1.2020 Rs.'000	Contribution from the Insti- tute Rs.'000	Donations received Rs.'000	(Transfers to income account ) Rs.'000	Balance as at 31.12.2020 Rs.'000	Balance as at 31.12.2019 Rs.'000
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	-	38	(38)	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
A D E de S Wijeyeratne memorial fund (1999)	43	-	-	-	43	43
Mohan Abeynaika fund (1999)	25	-	-	-	25	25
KPMG fund (1999)	113	-	-	-	113	113
Ernst & Young fund (1999)	200	-	-	-	200	200
S J M S Associates fund (1999)	66	-	-	-	66	66
Sumil 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	-	-	-	51	51
Jayaweera & Co fund (2000)	25	-	-	-	25	25
Brito Mutunayagam Memorial fund (2003)	129	-	-	-	129	129
Price water house Coopers fund (2006)	150	-	-	-	150	150
K G H De Silva Prize fund (2006)	121	-	-	-	121	121
BDO Partners Prize fund (2014)	25	-	-	-	25	25
	<b>1,392</b>	<b>-</b>	<b>38</b>	<b>(38)</b>	<b>1,392</b>	<b>1,392</b>

**14.3 Income balances - endowment funds**  
Prize funds - income balances

	Balance as at 1.1.2020 Rs.'000	Contribution from the Institute Rs.'000	Transfers from capital account Rs.'000	(Payments) Rs.'000	Balance as at 31.12.2020 Rs.'000	Balance as at 31.12.2019 Rs.'000
Prize funds - income balances	808	206	38	(145)	907	808
	<b>808</b>	<b>206</b>	<b>38</b>	<b>(145)</b>	<b>907</b>	<b>808</b>

**Note 15 - Retirement benefit obligation**

<b>As at 31 December</b>	<b>2020</b>	<b>2019</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Balance at the beginning of the year	30,499	28,107
Provision made during the year (Note 15.1)	8,062	4,382
Payments made during the year	(2,534)	(1,990)
<b>Balance at the end of the year</b>	<b>36,027</b>	<b>30,499</b>
<b>15.1 - Provision made during the year</b>		
Interest cost	2,592	3,232
Current service cost	3,949	3,129
	<b>6,541</b>	<b>6,361</b>
Net actuarial (gain)/loss recognised	1,521	(1,979)
<b>Total provision made during the year</b>	<b>8,062</b>	<b>4,382</b>

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

**15.2 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 2020. The assumptions used in determining the cost of retirement benefits are as follows.

<b>Assumption</b>	<b>2020</b>	<b>2019</b>
Discount interest rate	8% per annum	8.5% per annum
Staff turnover rate	11% per annum	22% per annum
Salary increment rate	7.0%	7.0%
Retirement age	55 years	55 years

**15.3 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.

<b>As at 31 December</b>	<b>2020</b>	<b>2019</b>
	<b>Increase / (decrease) of defined benefit obligation Rs. '000</b>	<b>Increase / (decrease) of defined benefit obligation Rs. '000</b>
<b>Sensitivity analysis to discount rate</b>		
1% increase in discount rate	(1,688)	(1,093)
1% decrease in discount rate	1,863	1,173
<b>Sensitivity analysis to salary escalation rate</b>		
1% increase in salary escalation rate	2,021	1,302
1% decrease in salary escalation rate	(1,863)	1,233

#### 15.4 Maturity Profile of the defined benefit obligation

Future working life time As at 31 December	Defined benefit obligation	
	2020 Rs.'000	2019 Rs.'000
Within next 12 months	7,493	6,998
Between 1 to 5 years	14,866	12,812
Between 5 to 10 years	8,007	9,185
Beyond 10 years	5,661	1,504
<b>Total</b>	<b>36,027</b>	<b>30,499</b>

Weighted Average duration of Defined Benefit Obligation is 5.26 years ( 2019 - 3.99 years)

#### Note 16 - Payables

As at 31 December	2020 Rs.'000	2019 Rs.'000
Accrued charges	103,115	189,797
Payables to suppliers	10,388	17,130
Payables-capital projects	705	705
Refundable deposits	50	50
Payables on self-study courses and other payables	1,657	13,996
Other tax payable	-	183
<b>Total</b>	<b>115,915</b>	<b>221,861</b>

#### Note 17 - Receipts in advance

As at 31 December	2020 Rs.'000	2019 Rs.'000
Advances received for educational activities	180,580	119,001
Advances received for member subscription and events	70,722	61,223
<b>Total</b>	<b>251,302</b>	<b>180,224</b>

For the year ended 31 December		2020		2019			
Note 18 - Income and expenditure (Excluding employee costs)							
		Income Rs.'000	(Expenditure) Rs.'000	Net Income/ (Expenditure) Rs.'000	Income Rs.'000	(Expenditure) Rs.'000	Net Income/ (Expenditure) Rs.'000
Performance by activity							
Learning and professional development		478,014	(161,786)	316,228	698,424	(283,921)	414,503
Continuous professional development and member related activities		117,156	(30,702)	86,454	165,485	(73,388)	92,097
Financial reporting and assurance standards related activities		6,732	(6,466)	266	43,962	(39,464)	4,498
Library-related activities		326	(1,314)	(988)	820	(1,619)	(799)
Net sponsorship income*		961	-	961	2,280	-	2,280
Total		603,189	(200,268)	402,921	910,971	(398,392)	512,579
Analysis by divisions							
Examinations		85,003	(48,097)	36,906	241,490	(120,765)	120,725
Registration, Education, Training, Library and Marketing		198,228	(58,156)	140,072	187,376	(83,978)	103,398
IT Training and Language Centre		19,970	(5,824)	14,146	52,845	(17,101)	35,744
Members' activities **		122,130	(29,423)	92,707	195,527	(93,955)	101,572
Business school		25,875	(7,096)	18,779	32,033	(10,845)	21,188
Taxation faculty		18,370	(5,847)	12,523	28,907	(12,232)	16,675
School of Accounting and Business		126,405	(37,686)	88,719	152,232	(39,749)	112,483
CPD secretariat		568	(71)	497	890	(312)	578
Technical research		6,640	(8,068)	(1,428)	19,671	(19,455)	216
Total		603,189	(200,268)	402,921	910,971	(398,392)	512,579
* Net Sponsorship Income							
For the year ended 31 December		2020	2019				
		Rs. '000	Rs. '000				
Gross Sponsorship Income		5,500	12,132				
Utilization of sponsorship benefits		(4,539)	(6,852)				
Provision for doubtful debt		-	(3,000)				
Net sponsorship income		961	2,280				

\*\*\*Member activities include Rs.2.9mn paid for foreign travel during the year 2020. (2019: Rs.5.9mn)

<b>Note 19 - Other operating income</b>		
<b>For the year ended 31 December</b>	<b>2020</b>	<b>2019</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Income from hire of halls	(7)	1,739
Profit on sale of publications	123	763
Gain on disposal of property, plant and equipment	251	38
Miscellaneous income	1,089	1,179
<b>Total other operating income</b>	<b>1,456</b>	<b>3,719</b>
<b>Note 20 - Employee costs</b>		
<b>For the year ended 31<sup>st</sup> December</b>	<b>2020</b>	<b>2019</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Salaries and wages	184,525	
Defined contribution plan cost		
- Employees' Provident Fund	22,452	19,564
- Employees' Trust	4,490	3,913
Contractual and casual payments	4,257	7,510
Ex gratia payment	-	8,954
Staff development and welfare	3,767	10,419
Amortisation of pre-paid staff cost	1,958	1,896
Defined benefit plan cost	6,541	6,361
<b>Total employee costs</b>	<b>227,990</b>	<b>233,286</b>
No. of employees as at year end	151	143
<b>Note 21 -Maintenance of premises</b>		
<b>For the year ended 31 December</b>	<b>2020</b>	<b>2019</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Utilities	10,467	15,608
Maintenance of building	15,347	16,648
Maintenance of equipment	4,344	5,290
<b>Total maintenance of premises</b>	<b>30,158</b>	<b>37,546</b>
<b>Note 22 - Depreciation and amortisation</b>		
<b>For the year ended 31 December</b>	<b>2020</b>	<b>2019</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Depreciation for the year	35,953	37,742
Depreciation of library books	760	638
Amortisation of intangible assets	37,693	16,950
	74,406	55,330
Depreciation charged to expenditure on learning and professional development	(760)	(638)
<b>Total depreciation and amortisation</b>	<b>73,646</b>	<b>54,692</b>

**Note 23 - Other expenses****For the year ended 31 December**

	2020	2019
	Rs.'000	Rs.'000
Communication expenses	20,492	26,364
Travelling expenses	933	1,278
Bank charges and commissions	7,660	7,734
Professional fees	2,988	9,745
Auditors' remuneration	360	487
Legal fees	1,931	3,456
Cost of Annual Report	3,530	5,661
General expenses	3,513	1,946
<b>Total other expenses</b>	<b>41,407</b>	<b>56,671</b>

**Note 24 - Finance income****For the year ended 31 December**

	2020	2019
	Rs.'000	Rs.'000
<b>Interest income from,</b>		
Treasury bonds	8,486	9,884
Fixed deposits	110,030	117,888
Re-purchase agreements	2,640	3,704
Loans and receivables	2,683	2,592
<b>Total finance income</b>	<b>123,839</b>	<b>134,068</b>

**Note 25 - Income tax (reversal) / charge**

Reconciliation between current tax expenses/(reversal) and the accounting income over expenditure;

<b>For the year ended 31 December</b>	<b>2020</b>	<b>2019</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Income over expenditure for the year before tax	126,235	237,658
Net income not liable for income tax	(2,756)	(233,977)
Income liable for tax	123,479	3,681
Taxation	17,287	515
Over provision in respect of previous year	-	(15,804)
<b>Charge / (Reversal) for the year</b>	<b>17,287</b>	<b>(15,289)</b>

Tax liability for the year 2020 is computed at the rate of 14%.

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

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

The following bank guarantees have been provided as at 31 December 2020:

- 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.

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 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. All these assessments are under appeal. The Commissioner General of Inland Revenue has confirmed all the assessments after hearing the appeals. The Institute has appealed to the Tax Appeals Commission against all the determinations of the Commissioner General and the appeals against the Commissioner Generals' determination have not been taken up by the Tax Appeals Commission for hearing, as yet.

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

## Note 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		2020	2019
Name	Transactions	Rs.'000	Rs.'000
Mr. S. M. S. S. Bandara *	Technical activities	-	121
	Educational activities	74	-
Mr. Manil Jayasinghe **	Technical activities	330	512
Mr. Ashane Jayasekara	Educational activities	266	250
	Technical activities	125	20

\* An amount of Rs. 73,500/- earned by Mr. S.M.S.S. Bandara for the services rendered to the Institute had been returned and credited to Mr. Sanjaya Bandara scholarship fund at the request of Mr. S.M.S.S. Bandara.

\*\* An amount of Rs.330,000/- earned by Mr. Manil Jayasinghe for the services rendered to the Institute had been returned and credited to the Ernst & Young scholarship fund at the request of Mr. Manil Jayasinghe.

## Note 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		2020	2019
		Rs.'000	Rs.'000
<b>Payments to AAT</b>			
Advertisement in organizer		-	30
Sponsorships		250	1,000
<b>Receipts from AAT</b>			
Registration and tickets for Annual Report Awards Competition		-	200
<b>Payable to AAT</b>			
Advertisement in organizer		30	-



### Note 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	2020 Rs.'000	2019 Rs.'000
Fixed deposits	1,294,270	1,184,705
Treasury bonds	74,259	73,627
Loans and receivables	144,209	111,439
Treasury bill re-purchase agreements	55,000	65,000
<b>Maximum exposure to credit risk</b>	<b>1,567,738</b>	<b>1,434,771</b>

##### 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	2020 Rs.'000	2019 Rs.'000
<b>Government securities and related institutions</b>		
Treasury Bonds	74,259	73,627
Reverse repurchase agreements	55,000	65,000
Fixed deposits	1,294,270	1,184,705
<b>Others</b>		
Loans and receivables	144,209	111,439
<b>Maximum exposure to credit risk</b>	<b>1,567,738</b>	<b>1,434,771</b>

### **31.2. Liquidity risk**

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

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

Maturity analysis of financial assets and liabilities

Description	On Demand	Less than 3 months	3 to 12 months	2 to 3 years	More than 3 years	Total
<b>Financial assets</b>						
Receivables	116,684	6,270	-	-	-	122,954
Loans and advances to staff	-	2,745	5,603	9,253	3,654	21,255
Fixed deposits	-	-	1,294,270	-	-	1,294,270
Treasury bonds	-	-	74,259	-	-	74,259
Cash and cash equivalents	86,730	-	-	-	-	86,730
	<b>203,414</b>	<b>9,015</b>	<b>1,374,132</b>	<b>9,253</b>	<b>3,654</b>	<b>1,599,468</b>
<b>Financial liabilities</b>						
Payables	(10,388)	(1,657)	(705)	-	-	(12,750)
	<b>(10,388)</b>	<b>(1,657)</b>	<b>(705)</b>	<b>-</b>	<b>-</b>	<b>(12,750)</b>
<b>Net financial assets</b>	<b>193,026</b>	<b>7,358</b>	<b>1,373,427</b>	<b>9,253</b>	<b>3,654</b>	<b>1,586,718</b>

### **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.

### **Note 32 - COVID 19 Disclosure**

Since the start of January 2020, the COVID 19 outbreak has created disruption to our operations and our key stakeholders such as members, students, suppliers and other customers. We understand the difficulties this poses and have put measures in place to support them through this challenging time. Depending on how the situation develops, there is a potential for any associated economic slowdown which would impact our educational activities. We foresee possible reductions in the revenue due to decrease in the student enrolment and volume of transactions taking place, and potential losses stemming from disruption to our stakeholder base. We continue to monitor the situation closely and develop strategies to turnaround.

### **Health and Safety Measures**

In response to the COVID 19 outbreak, CA Sri Lanka's priority is to ensure the health and safety of our stakeholders that include members, students and employees and continue normal operations by leveraging our robust business continuity plans.

Furthermore, we have had to incur expenses that were otherwise unplanned in response to COVID-19. These related costs may include, but are not limited to:

- Institute cleaning and disinfecting
- Shifting to a distance learning platform, including licenses for delivery software
- Training and professional development
- Screening of Institute visitors
- Unplanned student costs such as storage
- Additional IT infrastructure facilities for staff due to work-from-home arrangements

### **Economic Impact**

The economic impact of the COVID 19 outbreak will depend on how the virus spreads and heavily depends on the response of the Government, Sri Lankan regulators and the relevant authorities. Being a responsible corporate citizen involved in the betterment of the accounting profession, CA Sri Lanka always takes all the possible measures in adhering to the high quality education guidelines and the regulations.

### **Financial Impact**

The outbreak will have an impact on the financials of CA Sri Lanka in the year 2020. CA Sri Lanka is compelled to postpone or conduct subject to compliance with the regulations imposed by the authorities of many of its flagship events in the calendar of CA Sri Lanka including Annual Report Awards Competition and National Conference. Further, we had to curtail CA examinations, seminars and workshops and other short courses due to the restrictions imposed by the government adhering to the health regulations. In that context, CA Sri Lanka has moved more into digital means to provide a value added service to its stakeholders.

As a result of these effects our cumulative revenue in the first six months of 2020 was approximately 46% lower than our 2019 revenues in the same period with the major negative impact identified in March and April 2020.

AS AT 31 DECEMBER	2020		2019	
	Rs. '000	Rs '000	Rs '000	Rs '000
<b>Assets</b>				
Balance at National Savings Bank		<u>822</u>		<u>791</u>
		<u>822</u>		<u>791</u>
<b>Equity and liabilities</b>				
Capital		13		13
<b>Income account</b>				
Balance as at 1 January	778		749	
Add: Interest for the year	<u>31</u>	<u>809</u>	<u>29</u>	<u>778</u>
		<u>822</u>		<u>791</u>

AS AT 31 DECEMBER	2020		2019	
	Rs. '000	Rs '000	Rs '000	Rs '000
<b>Assets</b>				
Balance at National Savings Bank		<u>34</u>		<u>94</u>
		<u>34</u>		<u>94</u>
<b>Equity and liability</b>				
Capital		10		10
<b>Income account</b>				
Balance as at 1 January	28		52	
Add: Interest for the year	3		4	
Less: Prize paid	<u>(7)</u>		<u>(28)</u>	
Balance as at 31 December		24		28
Creditors - CA Sri Lanka		<u>-</u>		<u>56</u>
		<u>34</u>		<u>94</u>