

# Regulatory Requirements

## AAT Level III FAR - Financial Reporting

Sandeepa Jayasekera

ACA, B.Sc. (Accounting) Sp. Hons., ACMA (SL), SAT, CIMA Passed Finalist,  
Reading for MBA (PIM), CA and CIMA Prize Winner



JMC Jayasekera Management Centre (Pvt) Ltd  
Pioneers in Professional Education

65/2A, Chittampalam Gardiner Mawatha, Colombo 02 | T: +94 112 430451 | E: info@jmc.lk | F: +94 115 377917



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## AAT Level 03

# Financial Accounting and Reporting

Sandeepa Jayasekera

B.Sc. (Acct.) Hons. Gold Medal Winner, ACA, SAT, ACMA (UK), CGMA (UK), CA Prize Winner for AFR subject in Strategic Level II, CA First in Order of Merit Prize Winner in CAB II Level, CIMA Strategic Level Aggregate Prize Winner, MBA (PIM-SJP).

## Regulatory Requirements

## 2017 July Question Number 02

(a) State three (03) legislations / Acts relevant to companies in Sri Lanka. (03 marks)

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## Answer



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# Companies Act No. 07 of 2007 Requirements

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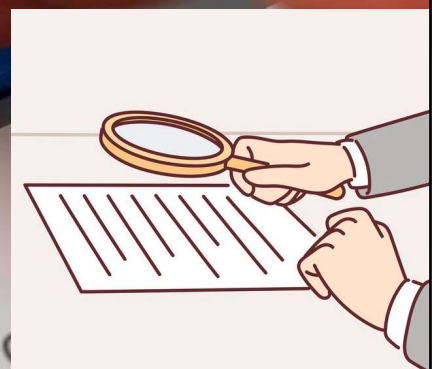
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## Sec 148 – Every Company must keep Accounting Records

Should be able to see the Financial Position at any time

FS preparation Responsibility is with the Board of Directors

Financial Statements shall be Properly Audited



## Sec 148 – Accounting Records Non-Compliances



FINE of Rs. 250,000/- for the Company and for Every Officer

Background image showing financial statements, a calculator, and a magnifying glass over a document.

### Financial Statements

Financial Statements shall give a TRUE and FAIR VIEW of the company's

- State of affairs at Balance Sheet Date (SFP)
- Profit or Loss for the Accounting Period (PnL)

**Section 151**

# Companies Act

The board of every company shall within six months after the balance sheet date of the company, prepare an annual report

# Companies Act

## Section 167

Provide Financials to Shareholders  
15 days prior to AGM



# 2023 January Question Number 04

It is mandatory for entities which are incorporated under the Companies Act No. 07 of 2007 to prepare financial statements and submit them to relevant regulatory bodies.

You are required to:

Explain three(03) regulatory requirements pertaining to the preparation and presentation of financial statements of a company as per the Companies Act No. 07 of 2007.

Answer

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Securities Exchange  
Commission enacted by  
1987 No. 36 Act

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## Question 01

Name the members of Securities and Exchange Commission

Answer



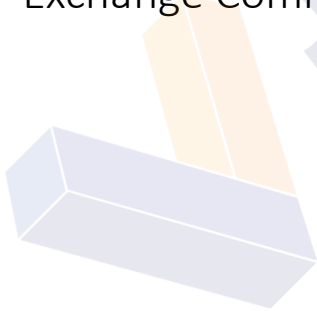
## Answer

- 06 members nominated by Finance Minister (Having experience in finance, legal and administration)
- A Deputy Governor of Central bank nominated by the Governor of Central Bank
- Deputy Secretary to the Treasury
- Companies Registrar
- President of Chartered Accountants of Sri Lanka

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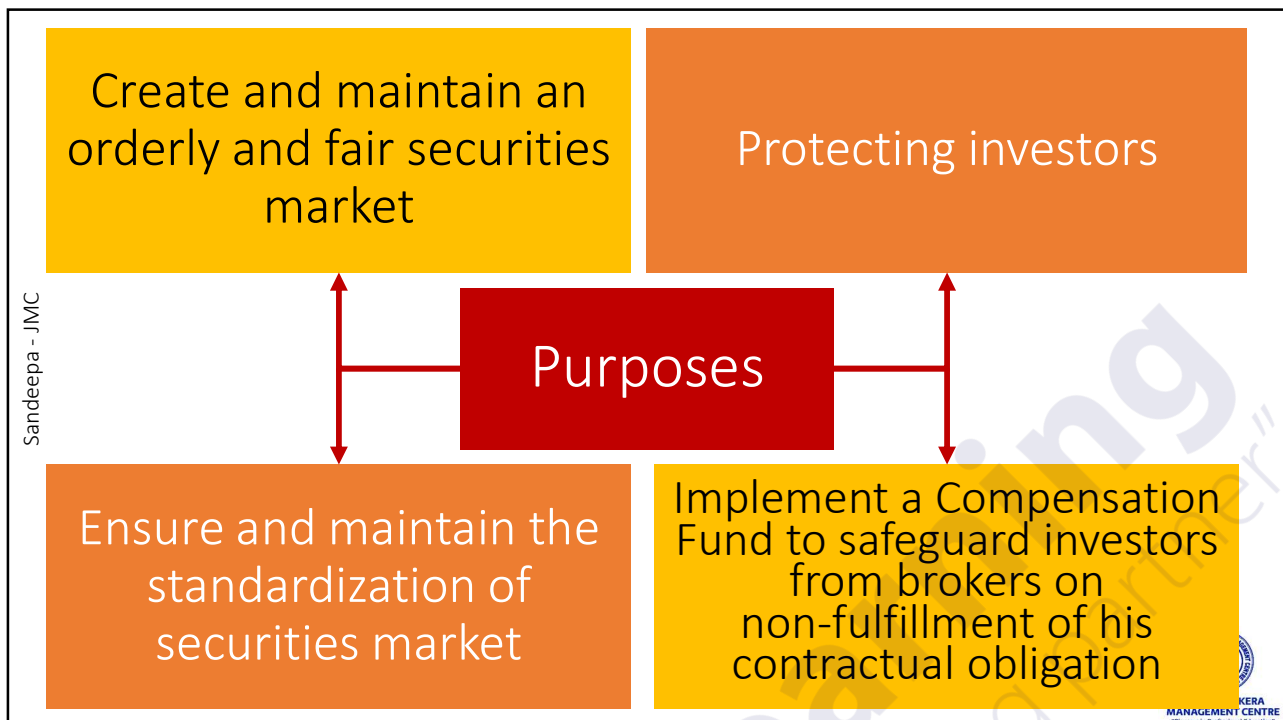
## 2017 July Question Number 02 (b)

(b) State two(02) objectives for setting up of the Securities and Exchange Commission of Sri Lanka. (02 marks)



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## 2021 January Question Number 06 (b)

(b) The Securities and Exchange Commission was established for the purpose of regulating the securities market in Sri Lanka.

You are required to:

List four (04) duties of the Securities and Exchange Commission. (04 marks)

## Answer

### Duties of the Securities and Exchange Commission

- Protection of Investors
- Creating and maintaining an Orderly and Fair Securities Market
- Formalising the Securities Market and maintaining professional standards
- To grant license to a managing company to operate a unit trust
- Monitor and supervise the activities and administration of stock exchanges.

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## Answer

- Creating a Compensation Fund to protect investors from losses incurred by a broker on non-fulfillment of his contractual obligation
- To advise the government on the development of the securities market
- To cancel the listing of any securities for the protection of investors
- Request the companies registrar to convert private companies to public companies based on powers vested by section 227 of Companies Act

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# Accounting Standards Introduction

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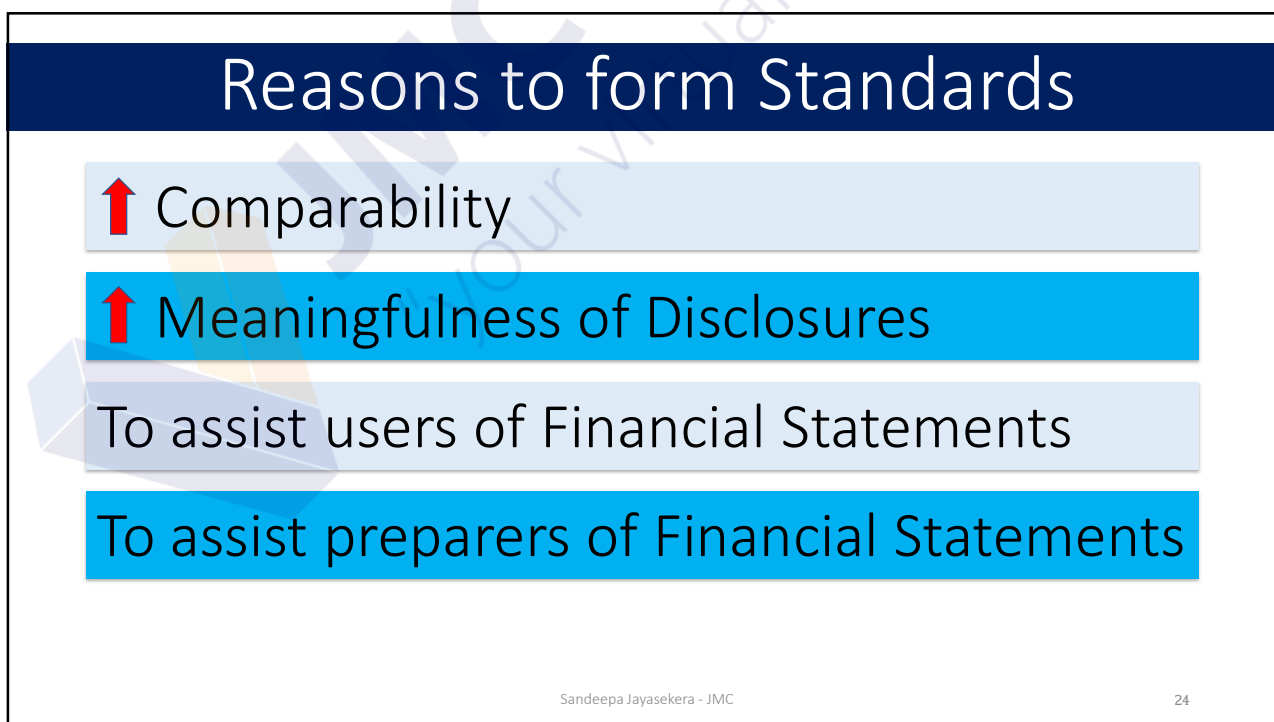
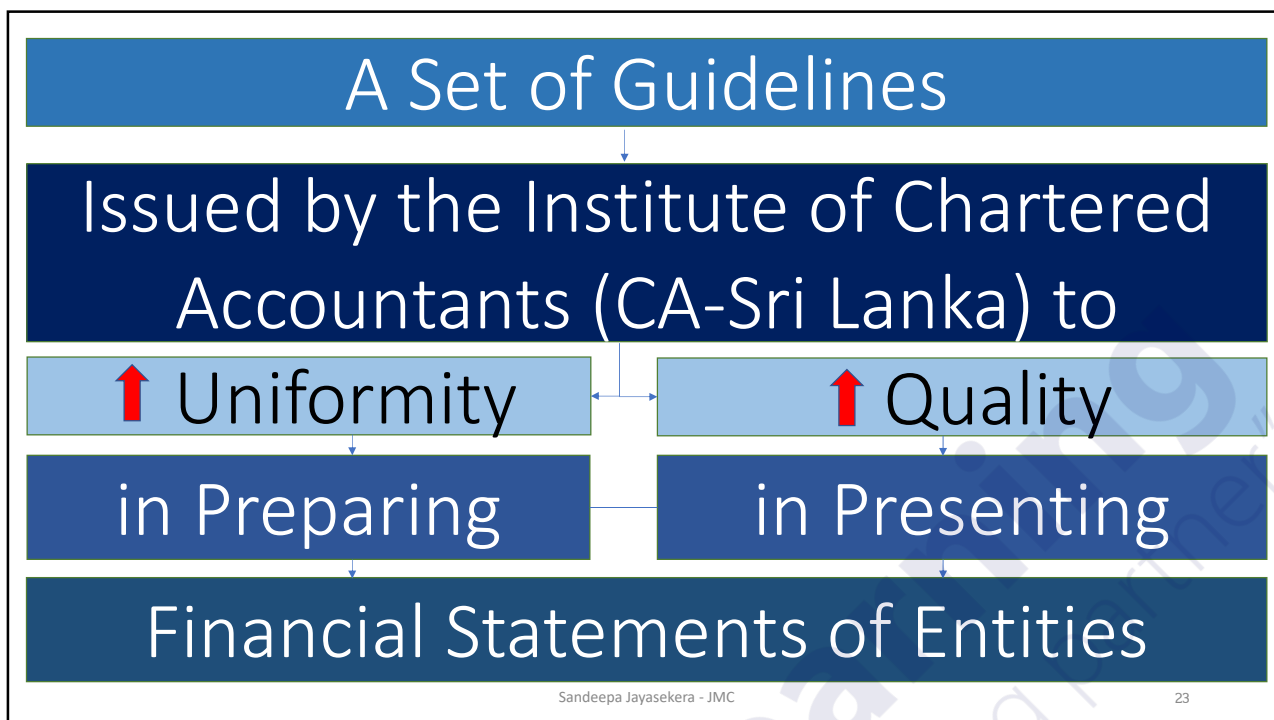
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## What is an Accounting Standard?

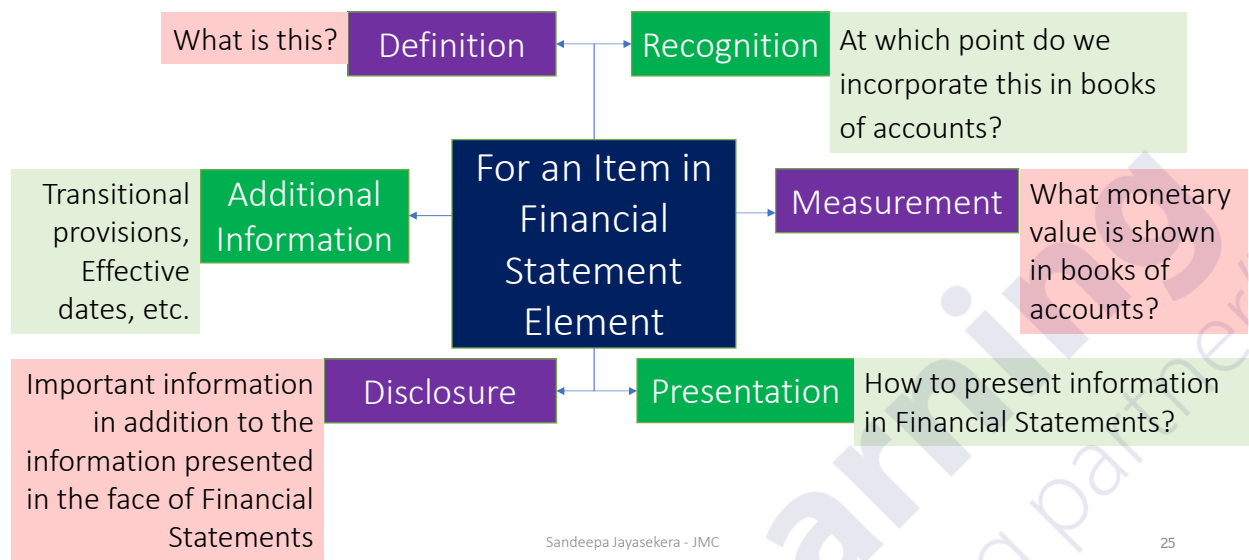


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## Contents of an Accounting Standard in General



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As per Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, adoption of Accounting Standards is a **legal requirement** for '**Specified Business Enterprises**'.

- Banks
- Insurance Companies
- Factoring Companies
- Finance Companies
- Unit Trusts
- Fund Management Companies
- Stockbroker firms
- Stock Exchange
- Listed Companies
- Companies with a turnover in excess of Rs. 500 Mn
- Companies with gross assets in excess of Rs. 300 Mn
- Companies with capital in excess of Rs. 100 Mn
- Companies with bank loans in excess of Rs. 100 Mn
- Public corporations engaged in sale of goods or provision of services

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## 2022 July Question 04

After the enactment of the Accounting and Auditing Standards Act No. 15 of 1995, adhering to the Sri Lanka Accounting Standards has become a legal requirement and that is applicable for the specific business enterprises.

You are required to:

(a) State three(03) entities categorized under the Specific Business Enterprises. (03 marks)

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## Answer



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If a Specified Business Enterprise (SBE) does not prepare its Financial Statements in accordance with Accounting Standards, the Directors of such SBEs shall be liable to

A fine not exceeding  
Rs. 500,000.

An imprisonment term  
not exceeding five years.

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## Accounting Standards applicable for AAT Level 03

1. LKAS 01 Presentation of Financial Statements
2. LKAS 08 Accounting Policies, Changes in Accounting Estimates and Errors
3. LKAS 10 Events after the Reporting Period
4. LKAS 12 Income Taxes
5. LKAS 16 Property, Plant & Equipment
6. LKAS 19 Employee Benefits
7. LKAS 36 Impairment of Assets
8. LKAS 23 Borrowing Costs
9. LKAS 37 Provisions, Contingent Liabilities and Contingent Assets
10. LKAS 38 Intangible Assets
11. SLFRS 15 Revenue from Contract with Customers
12. SLFRS 16 Leases
13. Basic understanding of Financial Instruments
14. Basic understanding on SLFRS for SMEs

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**SLAASMB**  
Sri Lanka Accounting and Auditing  
Standards Monitoring Board

SLAASMB is a **statutory board** established under number 15 of 1995 Accounting and Auditing Standards Act. It's core functions are to monitor **compliance with the Sri Lanka Accounting Standards and the Sri Lanka Auditing Standards** in the preparation, presentation and audit of financial statements of **specified business enterprises** to enhance reliability of financial reporting in the country

## 2022 July Question 04

After the enactment of the Accounting and Auditing Standards Act No. 15 of 1995, adhering to the Sri Lanka Accounting Standards has become a legal requirement and that is applicable for the specific business enterprises.

You are required to:

(b) State two (02) powers of the Sri Lanka Accounting and Auditing Standards Monitoring Board. (02 Marks)

## Answer

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## Answer

Powers of the Sri Lanka Accounting and Auditing Standards Monitoring Board.

- Obtaining the copies of financial statements from specified business enterprises.
- Requesting to provide information during a specified time period.
- Call for an inquiry, questioning, investigate and examine any director, officer or an auditor.

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