
Extended Abstract

International Symposium of Sabaragamuwa University of Sri Lanka (ICSUSL) - 2017

Mutatis Muntadis: An Analysis on the Legal Background of Sri Lankan Business Enterprises.

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1. Abstract

The open economic system was introduced towards the Sri Lankan finance system in 1977. Subsequent a revolution within the country and people started engaging in new business, trades, enterprises and businesses. On the other hand, even the economic system was changed in the entire country; the legal system was not amended accordingly. Therefore, new rules and regulations have been implemented through the Finance Companies Act No. 30 of 1988, Finance Companies Act No. 78 of 1988, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, to maintain the financial stability of the Sri Lankan economical circle.

The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 could be highlighted since it is a statutory document, which maintains the standards of business enterprises equally in the country parallel to the Institute of Chartered Accountants of Sri Lanka.

The area of this study is in the category of accounting and finance, which will be limited to the Accounting and Auditing Standard Act No. 15 of 1995. This study expects to discuss and analyze the incidents in relation to the prevailing national law on accounting and auditing standards. Further, it will identify the loopholes and set out a number of recommendations to strengthen the prevailing laws associated with business enterprises in Sri Lanka.

The Sri Lankan economic circle has been spread out in a wide area; due to that reason, this study will focus on the category of business enterprises to maintain the quality of the research. Further, attention would be specifically to the Auditing Standard Committee, Accounting and Auditing Monitoring Board, Ministry of Finance towards the Auditing Standard Committee, offences and punishments.

Keywords: Accounting and Auditing Standard, Business Enterprises, Legal Background,

The key problem which is sought to be addressed in this research is “Does the time up to make amendm Sri Lanka Accounting and Auditing Standards Act, No 15 of 1995?”

3. Research Methodology

This research is largely based on qualitative approach. The information is scattered throughout book newspaper articles and websites as well as international and local enactments of relevance.

This research is considered a legal research paper and highly discusses practical issues that take place the society. Therefore, a quantitative approach is not appropriate through this kind of research. Most of who engage themselves in business enterprises, are unaware of the Sri Lanka Accounting and Auditing Act 1995. Since by distributing questionnaires among group of people who are unaware of the researc not make a clear path to the researcher to gather data, using secondary data is thought to make a clear p the researcher to conduct a productive research under higher quality.

4. Results and findings

Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 as a legal document plays an am throughout the finical system in Sri Lanka. However, as investigated throughout the documents, diagnosed that there are some loopholes in this Act.

□ The Accounting and Auditing Standards Monitoring Board

The Monitoring Board is established under section 11 of the Act, and it covers vast areas in diffe According to section 12 (b) ten members to the board are appointed by the Minister. Hence the maj members are appointed by the minister and the autonomous of the board has been violated. The boa cannot make decisions independently due to the influence of the minister. Under section 12 (2) mi appoint one of the appointed members of the board to be the chairman of the board. By paying atten section, the research

strongly identifies the influence of the minister towards the Monitoring board. Therefore, the chairman should be appointed from an election among the board members. The highlighted point is to identify the influence of the minister in section 14 to section -----?????? where the minister can remove any

member and the chairman of the board from office without assigning any reasons. All these powers grant the minister encourage spreading his autonomy in the process of decision-making. Due to that, the Monitoring board cannot act as an independent body. On the other hand to come up with correct and justifiable decision the Monitoring board should function as an independent self-decision making panel.

□

Offences and Punishments

The offences committed under the aforementioned Act are in the category of criminal offences. Section 27 details the offences and punishments, which are granted. Furthermore, Section 27 (1) elaborates that every person involved in the business enterprise fails to comply with the section of the Act shall be guilty of an offence under this Act, and shall be on conviction after summary trial before a Magistrate.

The court proceeding deems to be a lengthy procedure; therefore, it takes time to announce the judgment of the offender liable. An offence, which has been committed under this Act by a body corporate, any person at the time of the commission of the offence - a director, manager, secretary, or other similar officer of the body corporate – shall be deemed guilty.

There are two types of punishments under the Act; the person who has been found guilty before a Magistrate may pay a fine or the court may sentence the offender to imprisonment.

Most of the matters in relation to business enterprises are solved before a Magistrate. However, in some matters, the administrators could use the problem solving methods before stepping towards a court process in Sri Lanka,

5. Conclusions, implications and significance

The time is ideal to make a change in the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995. From time to time, the Institute of Chartered Accountants modifies the accounting standards according to the developments; thus, the high quality, transparency of business enterprises has been violated due to the minister which is emphasized in the Accounting and Auditing Standard Act No. 15 of 1995 in Sri Lanka.

In conclusion, this paper challenges to give the amendments reducing the minister's discretion and other towards the successful implementation of the Accounting and Auditing Standard Act No. 15 of 1995 in Sri Lanka.

6. References (Selected)

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