CERTIFIED MANAGEMENT ACCOUNTANT

Vol. 14, No. 1, July 2026

Crisis, Stability, and Growth

A Management Accounting Lens

CMA National Management Accounting Conference 2026

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Cover page

A partly AI generated picture symbolizing the Conference Theme

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Act of Parliament No. 23 of 2009

The National Professional Management Accounting Institution in Sri Lanka

Equipping Future Accountants

A Member of

International Federation of Accountants

Confederation of Asian and Pacific Accountants

Institute of Certified Management Accountants of *Sri Lanka*

Vision

CMA, the Preferred Choice.

Mission

To train and develop
Management Accounting Professionals who are innovative, ethically and socially responsible, and contributing for sustainable value creation.

Values

Core values observed in day-to-day operations:

Adaptability and Innovation;

Excellence in Everything we do;

Embracement in Diversity;

Openness, Honesty, and Transparency;

Professionalism;

Supportive and Responsive; and

Trust and Integrity.

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Institute of
Certified Management Accountants
of Sri Lanka

Message from
From the President, CMA *Sri Lanka*

The CMA National Management Accounting Conference 2026, is the key event of Sri Lankan Management Accountants under the timely and appropriate theme, “Crisis, Stability, and Growth – A Management Accounting Lens.”

As organizations and nations navigate an era of unprecedented change, management accountants have a vital role to play in fostering resilience, promoting ethical stewardship, and enabling sustainable growth. This conference provides an invaluable platform for members, thought leaders, practitioners, and academics to exchange ideas and explore innovative approaches to the challenges and opportunities before us.

We are also recognizing and honoring distinguished professionals with the Golden Jubilee Awards with over fifty years of dedicated service to the accounting profession a once in a lifetime distinction. I wish to congratulate Golden Jubilee Award recipients and the Business Excellence and Merit Excellence Awards presented to top accounting and finance professionals in Sri Lanka who have made immense contributions to management accounting and demonstrated outstanding achievements in their professional and business careers

My sincere appreciation goes to the Hon Prime Minister Dr Harini Amarasuriya for making available her valuable time and encouraging national professional bodies such as CMA, the keynote Speaker Professor Dale Pinto President and Chair of the Board of CPA Australia and John Curtin Distinguished Professor Curtin Law School, Special Guest of Honour Her Excellency Isabelle Martin High Commissioner for Canada in Sri Lanka and Maldives, Special Guest Speaker Mr. A. N. Raman Past President SAFA and Advisory Council Member CMA, Mr. Mohammed Humayun Kabir, President SAFA, all our technical Chairmen, Moderators, Panelists and the co-ordinatior technical sessions Dr. Sugeeth Patabendige for their great contributions and our sponsors, and participants for their support and engagement for the success of the conference.

Quite a lot of hard work has gone into the organizing of the National Conference with the Conference Committee meeting regularly framing the theme and technical sessions, contacting sponsors and the secretariat handling all administrative matters. I wish to express my gratitude to the Conference Committee and the conference secretariat for a great job done.

I am confident that the discussions and insights shared during the conference will strengthen our professional contribution and provide meaningful value to Sri Lanka’s progress and prosperity.

I wish you a productive and rewarding conference.

Prof. Lakshman R. Watawala
Founder President Institute of Certified Management Accountants of Sri Lanka

INVITATION TO PARTICIPATE
– NCMA EXCELLENCE AWARDS

Incorporated by
Parliament Act No. 23 of 2009

NATIONAL COST & MANAGEMENT ACCOUNTING EXCELLENCE AWARDS 2026

Optimizing Resources,
Creating Value And Enriching Lives

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இலங்கையின் பிரதம அமைச்சர்

Prime Minister of Sri Lanka

Message from the Hon. Prime Minister

I am pleased to extend my greetings to the President, Council Members, and the membership of the Institute of Certified Management Accountants (CMA) of Sri Lanka on the occasion of the CMA International Management Accounting Conference 2026.

The Institute of CMA of Sri Lanka has made a significant contribution to the development of the accounting profession by promoting professional excellence, continuous learning, and standards of practice. Its initiatives to strengthen corporate governance, transparency, and financial reporting continue to support the country's broader economic and institutional development.

The theme of this year's conference, "Crisis, Stability, and Growth – A Management Accounting Lens," is both timely and significant. As Sri Lanka advances towards sustainable economic growth, the conference's focus on innovation, sustainability, artificial intelligence, and data-driven decision-making highlights the vital role of management accounting professionals in building a resilient, competitive, and forward looking economy.

I also congratulate the eminent professionals being honored for their remarkable milestones of over five decades of dedicated service to the accounting profession, as well as to all other award recipients. Their achievements reflect the dedication and excellence, and serve as an inspiration to future generations.

While commending the leadership of CMA Sri Lanka, and the members of the Conference Organizing Committee for organizing this landmark event, I wish the CMA International Management Accounting Conference 2026 all the success and believe that its deliberations will contribute meaningfully to shaping a stronger and more sustainable future for Sri Lanka.

Dr. Harini Amarasuriya
Prime Minister
Democratic Socialist Republic of Sri Lanka

Message from Her Excellency

The High Commissioner for Canada to Sri Lanka

The Government of Canada is proud to be associated with the Institute of Certified Management Accountants (CMA) Sri Lanka, a distinguished professional management accounting body established in 1999 with technical assistance from CMA Canada—now CPA Canada—and with the financial support of the Canadian International Development Agency (CIDA). This enduring partnership stands as a testament to Canada's longstanding commitment to supporting the development of strong professional institutions, capacity building, and sound economic governance in Sri Lanka.

I am especially pleased to see Professor Lakshman R. Watawala, the Founder of CMA Sri Lanka, continuing to provide visionary leadership to the Institute and to the CMA National Management Accounting Conference. His unwavering commitment to the accounting profession, coupled with his professional excellence and foresight, has been instrumental in making this remarkable institution a reality and in shaping its continued growth and success.

I am deeply honoured to participate this year's conference, which I recognize as a reflection of the longstanding and close relationship between the Government of Canada and CMA Sri Lanka—a partnership that has endured since the Institute's inception.

We are indeed proud that this collaboration has played a pivotal role in the establishment and development of CMA Sri Lanka - the national professional management accounting body in Sri Lanka. Its incorporation by an Act of Parliament in 2009 shows the importance placed to cost and management accounting in Government and Business. Over the years, this enduring partnership has contributed significantly to the advancement of management accounting education, capacity building, and professional excellence producing Sri Lankan Management Accountants with the designation ACMA serving both the public and private sector in Sri Lanka.

The theme of this year's conference, "Crisis, Stability, and Growth – A Management Accounting Lens," aptly reflects the critical role that management accounting and finance professionals play in fostering resilience, transparency, and sustainable development. The focus on sustainability, innovation, artificial intelligence, and data-driven decision-making is especially timely as we collectively navigate an increasingly complex global landscape.

I congratulate the professionals being honored for more than fifty years of dedicated service to the accounting profession, as well as all other award recipients whose achievements inspire future generations. I also commend Professor Lakshman R. Watawala and the Conference Organizing Committee for their vision and dedication in convening this important forum.

May the discussions and partnerships fostered at this conference contribute to a more prosperous and sustainable future for Sri Lanka and the wider region.

Isabelle Martin
High Commissioner for Canada to Sri Lanka and Maldives

Message from the
President CPA Australia

IIt is my great pleasure to extend my warm greetings to the Institute of Certified Management Accountants (CMA) of Sri Lanka and to everyone participating in the CMA National Management Accounting Conference 2026. I am especially looking forward to visiting Sri Lanka and joining you for what promises to be an outstanding conference.

CMA Sri Lanka has demonstrated its unwavering commitment to advancing the management accounting profession through professional excellence, ethical leadership and lifelong learning. Its continued efforts in developing globally capable management accounting and finance professionals have made a significant contribution to the business and professional landscape of Sri Lanka.

CPA Australia is proud of its longstanding relationship with CMA Sri Lanka. Through our Member Pathway Agreement, CMA members have an opportunity to pursue the CPA designation while building on the strong professional foundation provided by CMA, opening doors to greater international opportunities and strengthening the global accounting profession.

The theme of this year's conference, "Crisis, Stability and Growth – A Management Accounting Lens", is particularly relevant as organizations around the world, including here in Sri Lanka, continue to navigate economic change, technological transformation, artificial intelligence and increasing expectations around sustainability, governance and trust.

As our profession continues to evolve, management accountants have an increasingly important role in helping organizations harness innovation and artificial intelligence responsibly, while maintaining the highest standards of ethics, trust and professional judgement.

I am honored to have been invited by Professor Lakshman R Watawala, President of CMA Sri Lanka, to deliver the keynote address at this flagship conference. I look forward to sharing ideas and learning from the many distinguished speakers, business leaders, academics, policymakers and professionals who will be participating.

Professional bodies play an essential role in building trust, developing future leaders and strengthening the public interest. By working together across borders, organizations such as CPA Australia and CMA Sri Lanka can continue to support members with the skills, ethical foundations and global perspectives needed to thrive in an increasingly interconnected world.

I also extend my sincere congratulations to the professionals being recognized for their outstanding service and achievements. Their dedication, leadership and commitment to excellence inspire both current and future generations of management accounting professionals. I also acknowledge the many volunteers whose dedication and commitment make events such as this possible.

I congratulate the President, Council and Conference Organizing Committee for their vision and leadership in bringing together such an important gathering of business leaders and professionals. I have no doubt the conversations over these two days will inspire new ideas, strengthen professional connections and contribute to a more resilient and prosperous future for Sri Lanka and the wider region.

I wish everyone an enjoyable and successful conference, and I look forward to meeting many of you in person.

Prof. Dale Pinto
President and Chair of the Board of CPA Australia &
John Curtin Distinguished Professor Curtin Law School

Message from
Chairman,
Journal Committee, CMA *Sri Lanka*

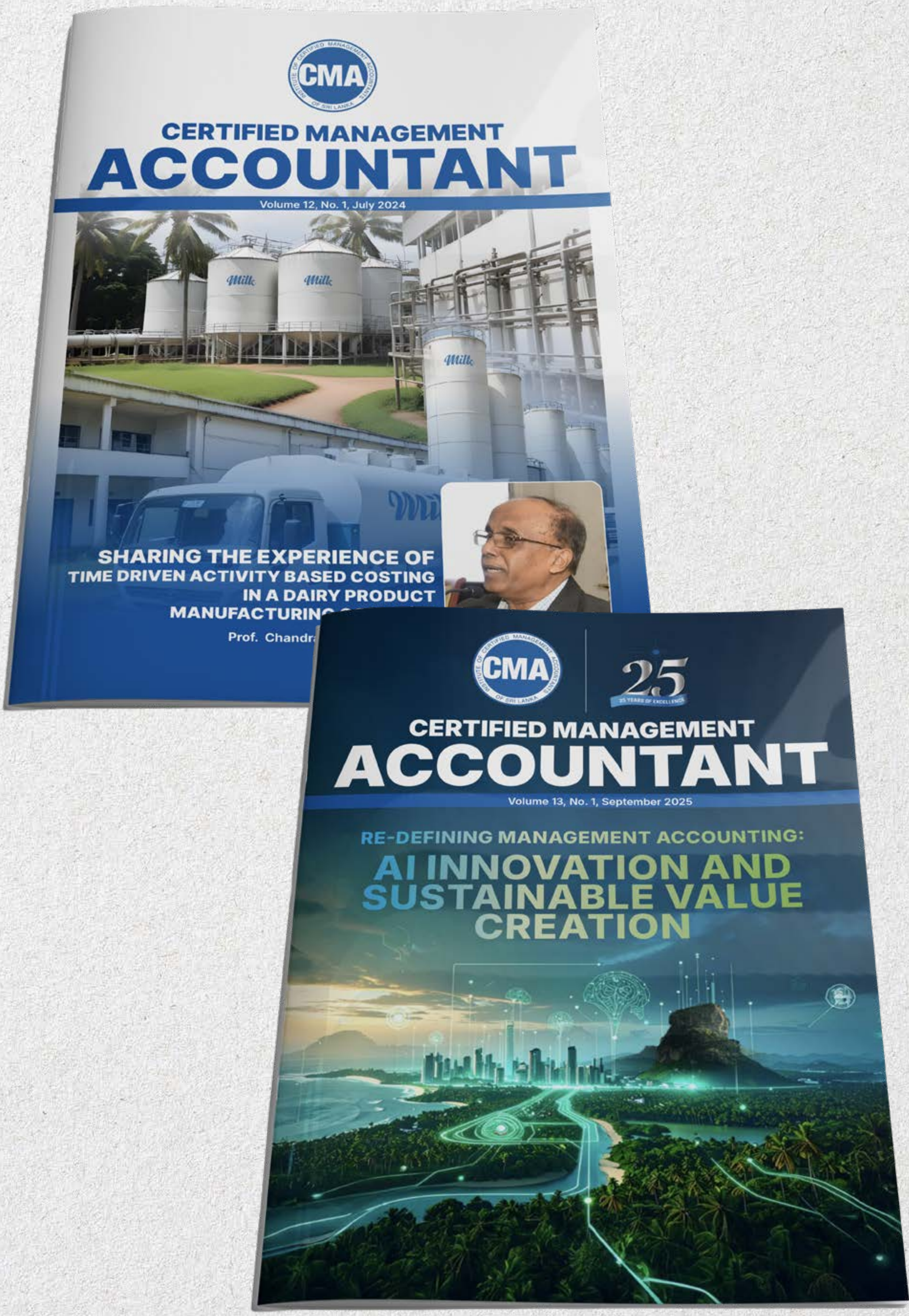
It is a great pleasure to present the current issue of the Certified Management Accountant, now in its twenty fourth year. This edition coincides with the CMA National Management Accounting Conference 2026, focusing on its core theme Crisis, Stability, and Growth- A Management Accounting Lens. It also features several specialized and general contributions before winding up with CMA *Sri Lanka* NEWS.

I express my sincere gratitude to the Conference Committee of CMA *Sri Lanka* for picking a theme that is so relevant to all Sri Lankans who having savored the crisis and stability not so long ago is waiting expectantly to move into the growth phase of development. Though the topic has been discussed in different fora from different perspectives it has rarely been examined from a *management accounting lens* which holds the fundamental building blocks for its resolution. And therefore, the glut of articles of good quality that we received from members and external contributors on the theme which made our selection process difficult.

I take this opportunity to thank Professor Lakshman R Watawala, President CMA Sri Lanka, members of the Journal Committee, contributors, Dr. Sugeeth Patabendige, Coordinator of the Conference, Dr. Mangala Fonseka and Ms. Savani Edirisinghe (Co-editors) for their invaluable support in making the present issue of the Certified Management Accountant a reality.

I am confident that the writings will bring several benefits to our readership. While serving as a guide for Conference attendees, it presents thought provoking, practically relevant, and informative pieces that meet the varied interests of readers. Once internalized, the insights gained will translate into greater productivity and performance across their workplaces, organizations and the nation at large.

Kosala M Dissanayake


CMA
CERTIFIED MANAGEMENT
ACCOUNTANT
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SHARING THE EXPERIENCE OF
TIME DRIVEN ACTIVITY BASED COSTING
IN A DAIRY PRODUCT
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ACCOUNTANT
Volume 13, No. 1, September 2025
RE-DEFINING MANAGEMENT ACCOUNTING:
AI INNOVATION AND
SUSTAINABLE VALUE
CREATION

Editors' Note

We are pleased to present the current issue of the Certified Management Accountant for your reading pleasure.

This issue consists of four clearly identifiable segments. It opens with a guide to the National Management Accounting Conference followed by four articles related to the conference theme. Next it features two contributions on the Cost Accounting Standards of Sri Lanka and their application in the energy sector. Finally, the issue concludes with two articles of general interest and the latest CMA Sri Lanka NEWS.

In the compilation of the Journal no alterations were made to the contents. They, however, underwent a thorough copy-edit as well as improvements in formatting to ensure uniformity across articles. The colorful photographs of different events add variety to the publication.

We hope you find this reading enjoyable and insightful, and that it proves valuable for many years to come. Please feel free to share your thoughts and comments at bhatiya-mangala@yaho..com .

Dr. Mangala Fonseka

Savani Edirisinghe

CMA Institute of Certified Management Accountants of Sri Lanka

National Management Accounting Conference 2026

CRISIS, STABILITY AND GROWTH
A MANAGEMENT ACCOUNTING LENS

at The Forum, **Cinnamon Life**

CPD 15 HOURS

Inauguration | **Monday, 20th July 2026** | **5.30pm – 8.30pm**

Welcome Address
Prof. Lakshman R. Watawala
Founder and President CMA Sri Lanka and Chairman CMA National Management Accounting Conference 2026

Address by Guest of Honour
HE Isabelle Martin
High Commissioner for Canada in Sri Lanka and Maldives

Keynote Address
Prof. Dale Pinto FCPA
President and Chair of the Board of CPA Australia and John Curtin Distinguished Professor Curtin Law School

Address by
Mohammed Humayun Kabir
President South Asian Federation of Accountants (SAFA)

Powering Stable Economic growth through Cost & Management Accounting

Special Guest Address
A. N. Raman
Past President SAFA and Advisory Council Member CMA

Vote of Thanks
H. M. Hennayake Bandara
Vice President CMA Sri Lanka

Address by Coordinator for Technical Sessions
Dr. Sugeeth Patabendige
Head of the Department / Senior Lecturer, Dept. of Marketing Management, UoK

Dinner

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International Recognition
IFAC International Federation of Accountants
SAFA
CAPA

Tuesday, 21st July 2026 8.30am – 5.30am

Technical Session 1

Navigating the New World Order: Geopolitical Turbulence and Sri Lanka's Strategic Economic Positioning

Examines the structural exposure of small, open economies to geopolitical realignment – encompassing oil price instability, shipping disruptions, and shifting global trade relationships – and challenges management accountants to integrate scenario modelling and risk-adjusted financial frameworks as routine professional practice

Address by
Prof. Lakshman R. Watawala
President
CMA Sri Lanka

Prof. Dale Pinto FCPA
President and Chair of the Board of CPA Australia and John Curtin Distinguished Professor Curtin Law School

Moderator
Dhananath Fernando
CEO
Advocata Institute

Keynote Address
Hasitha Premaratne
Group Managing Director
Brandix Lanka Limited

Panelists

Riyaaz Rasheed
Group Chief Executive Officer
Sri Lanka Telecom PLC

Nandana Ekanayake
Chairman
Siam City Cement (Lanka) Ltd

K. Raghu
Managing Director
Lanka IOC

Talal Rafi
Consultant,
European Union

Tea/Coffee

Technical Session 2

From Disclosure to Decision: How Sustainability Standards Are Reshaping Corporate Strategy and Management Accounting

Addresses the convergence of ISSB (IFRS S1 and S2) and GRI standards, advancing the position that sustainability is an active input into cost structures, investment appraisals, and performance measurement – not a peripheral compliance exercise.

Introduction by Chairman
Suresh Gooneratne
Director /Chief Financial Officer
Diesel & Motor Engineering PLC

Moderator
Prof. A. R. Ajward
Professor & Head
Dept. of Accounting
University of J'pura

Keynote Address
Darshini Watawala
Director
Deloitte Sri Lanka & Maldives

Panelists

Aruni Rajakarier
Council Member
Sri Lanka Institute of Directors

Nuwan Withanage
Chief Financial Officer
Softlogic Life Insurance PLC

Dr. Nuwan Gunarathne
Senior Lecturer
University of Sri Jayewardenepura

Nishantha Hewavithana
Senior Vice President
Research and Strategy, CSE

Lunch

Technical Session 3

AI in the Boardroom and Beyond: Practical Applications, Managerial Challenges, and the Future of Decision-Making

Moves beyond prevailing hype to examine where artificial intelligence is demonstrably creating value in financial forecasting, compliance automation, and crisis modelling, while confronting candidly the governance and accountability challenges that most organizations remain unprepared to manage.

Introduction by Chairman
Tishan Subasinghe
President
CA Sri Lanka

Moderator
Jehan Perinpanayagam
Chief Executive Officer
Infomate

Keynote Address
Dr. Romesh Ranawana
Group Chief Analytics & AI Officer
Dialog Axiata PLC

Panelists

Conrad Dias
Chairman
LOLC Finance

Kaushika Jayalath
Solutions Consultant
Oracle Corporation & Council Member CPA Australia

Prof. (Mrs) Thushari Silva
Professor in AI
Dept. of Computational Mathematics
Faculty of IT, UoM

Hasith Yaggahavita
CEO
99x

Technical Session 4

Data and Analytics as a National Asset: Data-Driven Strategies and Sri Lanka's Path to Global Competitive Advantage

Argues that data and analytics capability represents one of the most accessible and viable routes to sustainable competitive advantage for resource-constrained small economies – with sectoral spotlights across tourism, export agriculture, apparel, and financial services illustrating both the opportunity and the structural barriers that persist.

Introduction by Chairman
Nishan Mendis
Partner, Technology and Transformation Leader, CIO
Deloitte Sri Lanka and Maldives

Moderator
Yasith Fernando
Chief Data & Analytics Officer
Dialog Finance PLC

Keynote Address
Dr. Ravi Edirisinghe
Group CEO
GAC Sri Lanka

Panelists

Dr. Radheeka Abeyweera
Principal Data Scientist (Octave)
John Keells Holdings PLC

Oshada Senanayake
Director
Brandix Lanka Limited

Dr. Sadeep Jayasumana
Chief Scientist (Octave)
John Keells Holdings PLC

Dehan Vithana
Lead Data Evangelist
MAS Holdings

CMA National Management Accounting Conference 2026

Crisis, Stability, and Growth: A Management Accounting Lens

Technical Sessions · Tuesday 21 July 2026 · Cinnamon Life, The Forum

TECHNICAL SESSIONS

The technical programme of the Conference is built around four sessions, each addressing a distinct dimension of the challenges now facing organizations and the management accounting profession. Every session is anchored by a keynote address and followed by a structured panel discussion, so that rigorous thinking translates into practical professional insight.

The pages that follow introduce each session, present the keynote abstract, providing room for indicative lines of questioning for the panel discussions.

From Adoption to Leadership: The Management Accounting Profession in an Age of Crisis, Stability, and Growth

Dr. Sugeeth Patabendige
Department of Marketing Management, University of Kelaniya

Address by the Coordinator, Technical Sessions

Abstract

The CMA Sri Lanka National Management Accounting Conference 2026 convenes under the theme Crisis, Stability, and Growth: A Management Accounting Lens. The theme is deliberate. Sri Lanka has lived through each of these three states within a single decade, and the organisations represented in this conference have carried their consequences on their balance sheets, in their supply chains, and among their people. This address sets out the thinking behind the Conference's technical programme. More importantly, it sets out a proposition about the management accounting profession itself.

The management accounting profession can no longer afford to be an adopter of change. It must become a leader of it. For much of its history, the profession has responded admirably to shifts created elsewhere, absorbing new standards, new technologies, and new stakeholder demands into its practice. That responsiveness has served organizations well. However, such efforts are no longer sufficient. The forces examined across the four technical sessions of this Conference share one characteristic. In each of them, the organizations that stayed to adopt have paid a price, and the organizations that chose to lead have found advantage. The profession that holds the ledger, prepares the business case, and measures the outcome is uniquely placed to determine which of those two paths an organization takes.

The first technical session examines geopolitical turbulence and Sri Lanka's strategic economic positioning. Its motive is a hard lesson. Small, open economies absorb global shocks first and hardest, and the interferences of recent years, from rerouted shipping lanes to volatile energy costs, have moved geopolitical risk from the margins of planning into the centre of the ledger. The expectation placed on the profession is equally clear. Backwards-looking variance analysis must give way to scenario modelling, risk-adjusted budgeting, and supply chain contingency thinking as routine professional practice. The learning offered here is that the finance function is no longer the recorder of disruption. It is the co-pilot that steers the organization through it.

The second session turns to sustainability standards and their journey from voluntary to mandatory disclosure and from decision consequential to decision leading. The motive here is the convergence of the ISSB Standards, IFRS S1 and S2, with the GRI framework, and the recognition, sharpened by our own economic crisis, that non-financial factors can become material financial risks with incredible speed. The expectation is that sustainability information will flow into cost structures, investment appraisals, and performance measurement, rather than resting in a report published once a year. Among all organizational functions, management accountants are best positioned to connect sustainability considerations with financial outcomes and, in doing so, to turn compliance into business strategy.

The third session addresses artificial intelligence in the boardroom and beyond. Its motive is the widening gap between adoption and value. Most organizations now use AI in some form, yet very few can trace its impact to earnings in a manner that would survive an audit. The session confronts the governance, accountability, and talent challenges that most organizations remain unprepared to manage and asks who answers when an AI-supported decision causes harm. Learning is perhaps the most consequential of the Conference. The value of AI will be decided less by data scientists than by the people who hold the ledger, measure the return, and govern the risk. That is an invitation for our profession to become a guiding force for value creation amid the most profound changes the business world has faced in our lifetime.

The fourth session considers data and analytics as a national asset. Its motive extends beyond the individual firm. For a resource-constrained small economy, data-driven capability may be the most accessible route to sustainable competitive advantage, more accessible by far than capital-intensive industrialization. The expectation is that evidence-based decision-making will displace intuition as the default posture of management, within organizations and across sectors such as tourism, export agriculture, apparel, and financial services. Learning returns once more to the profession. National transformation of this kind is built one business case at a time, and it is management accountants who construct those cases, measure the value created, and hold the outcomes to account.

In sum, the four sessions describe a single arc. Geopolitics, sustainability, artificial intelligence, and data are not four separate disruptions but are four expressions of the same demand that the profession move from recording the past to shaping the future. In all these fields, the drivers are external, expectations are mounting, and the lessons learned lead to the same conclusion. Leadership in the most important decisions is exercised at the management accountant's desk. The path Sri Lanka has taken from crisis to stability has not been easy. The journey from stability to growth will be won by organizations that anticipate rather than merely record, who see sustainability and data as strategic resources rather than as reporting issues, and who manage new technologies with as much rigor as they manage financial resources. Every one of those capabilities sits naturally within the remit of this profession. This conference, therefore, advances an argument, made across four sessions and many distinguished voices, that management accountants should claim that remit fully, and lead.

TECHNICAL SESSION 1

Navigating the New World Order: Geopolitical Turbulence and Sri Lanka’s Strategic Economic Positioning

Session Synopsis

Global politics now reaches directly into the ledger. Oil price swings, rerouted shipping lanes and shifting trade alignments move quickly from world news to boardroom crisis, and small open economies such as Sri Lanka feel these shocks first and hardest. This session examines how Sri Lankan enterprises can build structural resilience amid geopolitical realignment. It challenges management accountants to make scenario modelling, risk-adjusted budgeting and supply chain contingency planning part of routine professional practice, rather than an emergency response.

Keynote Abstract

Hasitha Premaratne

Group Managing Director, Brandix Lanka Limited

Geopolitical risk is no longer just a headline; it is an active line item on every corporate balance sheet. For small, open economies like Sri Lanka, global disruptions hit home rapidly, transforming overnight from distant political frictions into immediate boardroom crises.

Navigating this “New World Order” requires shifting from theoretical planning to practical operational agility, focusing on three execution pillars:

The Reality of Daily Disruptions: Moving past abstract risk by tackling immediate, tangible bottlenecks. This means actively managing the financial fallout of Red Sea shipping bypasses that add weeks to transit times, absorbing the sudden surge in container freight rates, and insulation of local energy bills from Middle Eastern oil volatility.

Rewiring the Supply Chain for Resilience: Transitioning from fragile «Just-in-Time» inventory models to «Just-in-Case» buffers. Practically, this involves dual-sourcing critical raw materials across friend-shoring nations, building flexible production schedules to handle material delays, and positioning Sri Lanka as a highly reliable, rapid-response partner for global buyers.

The Finance Team as Strategic Co-Pilots: Moving management accountants away from historic, rear-view mirror variance analysis. Instead, finance teams must lead the business through live weekly FX sensitivity stresstesting, embedding the “cost of disruption” directly into product pricing, and building dynamic budgets that can pivot when a major export market faces sudden regulatory or trade bloc shifts.

By re-engineering the financial and operational lens to anticipate friction rather than just record it, Sri Lankan enterprises can turn global volatility into a distinct competitive advantage. This address provides a practical blueprint for finance and industry leaders to build structural resilience, ensuring corporate stability and growth remain achievable despite an unpredictable global horizon.

TECHNICAL SESSION 2

From Disclosure to Decision:
How Sustainability Standards Are
Reshaping Corporate Strategy and Management Accounting

Session Synopsis

Sustainability reporting has outgrown its compliance origins. With the ISSB Standards (IFRS S1 and S2) converging with the GRI framework, sustainability information is becoming an active input to cost structures, investment appraisals, and performance measurement. This session considers what that shift means for preparers, for investors and analysts, and for regulators. It asks how Sri Lankan organisations can move from producing reports to making better decisions and, in doing so, strengthen resilience, attract capital, and create long-term value.

Keynote Abstract

Ms. Darshini Watawala
Director, Deloitte Sri Lanka & Maldives

The global sustainability reporting landscape is undergoing a significant transformation. What was once regarded primarily as a voluntary disclosure exercise is increasingly becoming an integral component of corporate strategy, risk management, and value creation. As the International Sustainability Standards Board (ISSB) Standards (IFRS S1 and IFRS S2) gain prominence alongside the Global Reporting Initiative (GRI) Standards, organizations are being challenged to move beyond reporting compliance and develop information systems that support better business decisions.

For Sri Lankan companies, this transition is particularly relevant in the aftermath of the economic crisis, which underscored the limitations of relying solely on traditional financial indicators to assess organizational resilience. Volatility in energy costs, foreign exchange constraints, supply chain disruptions, governance concerns, and talent migration demonstrated how non-financial factors can rapidly evolve into material financial risks. Against this backdrop, sustainability reporting presents an opportunity not merely to communicate performance, but to strengthen organizational preparedness, adaptability, and long-term competitiveness.

This keynote explores how sustainability standards are reshaping the expectations of three critical stakeholder groups. Preparers are increasingly required to integrate sustainability metrics into enterprise systems, internal controls, and management processes. Investors, lenders, and analysts are seeking decision-useful information that provides deeper insights into risk exposure, business model resilience, and long-term value creation. Regulators are advancing frameworks that improve transparency, comparability, and accountability, thereby reinforcing confidence in capital markets and corporate governance.

From a management accounting perspective, sustainability information is emerging as a critical input into strategic planning, capital allocation, cost management, and performance evaluation. For key sectors of the Sri Lankan economy—including export manufacturing, plantations, tourism, financial services, and infrastructure—factors such as energy efficiency, resource security, human capital development, and climate resilience are becoming increasingly central to business success. Management accountants are therefore uniquely positioned to connect sustainability considerations with financial outcomes and strategic decision-making.

The greatest value of sustainability standards lies not only in the production of reports, but in enabling better decisions. As Sri Lanka continues its journey from crisis towards stability and growth, organizations that effectively integrate sustainability information into management processes will be better equipped to attract capital, strengthen resilience, enhance competitiveness, and create sustainable long-term value.

TECHNICAL SESSION 3

AI in the Boardroom and Beyond:
Practical Applications, Managerial Challenges, and the Future of Decision-Making

Session Synopsis

Artificial intelligence has moved from promise to presence, yet many organisations still struggle to show real returns from it. This session cuts through the prevailing hype to examine where AI is demonstrably creating value, including financial forecasting, compliance automation and crisis modelling. It also confronts, with candour, the governance, accountability and talent challenges that most organisations remain unprepared to manage, and asks what the management accounting profession must do now to remain relevant rather than displaced.

Keynote Abstract

Dr. Romesh Ranawana
Group Chief Analytics & AI Officer, Dialog Axiata PLC

Nearly nine organizations in ten now use AI. Barely one in sixteen can trace real earnings impact to it - and last year, forty-two per cent of companies walked away from most of their AI projects. This keynote is about that gap, told from the field rather than the research library. Its argument is simple: AI is an operating model, not a technology purchase - and real AI value is a number that survives an audit. The technology is rarely what fails; the five recurring causes of failure are management choices - which means every one of them can be fixed in the boardroom.

The session sets out a playbook any organization can start this quarter: work backwards from P&L outcomes rather than from technology; put seventy per cent of the effort where the evidence says it belongs - people and process; build the data foundations that set your ceiling; take prototypes to production through hard, evidence-based gates rather than calendars; and run every live system as a continuous operation with named business, technical and data owners - because no AI system works on day one. Along the way: where the money actually lives, how to measure it the way an auditor would, what boards must now govern, and why the window open for Sri Lanka will be decided less by data scientists than by the people who hold the ledger.

TECHNICAL SESSION 4

Data and Analytics as a National Asset: Data-Driven Strategies and Sri Lanka's Path to Global Competitive Advantage

Session Synopsis

For a resource constrained small economy, data may be the most accessible route to lasting competitive advantage. This session argues that data and analytics capability can power national growth and organizational success alike, with sectoral spotlights across tourism, export agriculture, apparel and financial services. It also examines the structural barriers that persist, from fragmented data ecosystems to the absence of a national data strategy and highlights the role of management accountants in building the business cases that turn ambition into investment.

Keynote Abstract

Dr. Ravi Edirisinghe
Group CEO, GAC Sri Lanka

In an increasingly data-driven global economy, the ability to harness data for informed decision-making has become a defining determinant of both national prosperity and organizational success. For emerging economies such as Sri Lanka, data and analytics represent a strategic asset with the potential to accelerate economic growth, strengthen governance, enhance productivity, and unlock sustainable competitive advantage across key sectors.

This keynote underscores the importance of evidence-based decision-making over reliance on intuition or subjective judgement. While experience and managerial insight remain invaluable, decisions supported by robust data are demonstrably more accurate, transparent, consistent, and scalable- qualities that are essential for navigating today's complex and rapidly evolving business environment. Conversely, decisions driven primarily by subjectivity often result in bias, inconsistency, inefficient resource allocation, and missed opportunities, ultimately constraining organizational performance and national development.

The presentation further explores the transformative power of big data and advanced analytics in creating long-term competitive advantage. The sheer scale, speed, and diversity of data generated today present unprecedented opportunities for organizations and governments alike. By integrating data across fragmented ecosystems and developing advanced analytical capabilities, Sri Lanka can unlock significant value in sectors such as tourism, agriculture, apparel manufacturing, logistics, healthcare, and financial services. Strategic investments in digital infrastructure, data governance, cybersecurity, artificial intelligence, and analytics talent will be critical enablers of this transformation.

Equally important is the evolving role of management accountants in the digital economy. As trusted custodians of financial and non-financial information, management accountants are uniquely positioned to bridge the gap between data and strategic decision-making. Beyond traditional financial reporting, they are increasingly expected to transform complex data into actionable business intelligence, develop compelling business cases for digital investments, measure value creation, and support organizational strategy through predictive and prescriptive analytics.

Ultimately, the transition towards a data-centric culture is no longer a strategic choice—it is a business imperative. Organizations and nations that successfully embrace data, analytics, and digital innovation will be better equipped to compete, adapt, and thrive in an increasingly information-rich global landscape. Those that fail to make this transition risk losing competitiveness, reducing productivity, and falling behind in the next wave of economic transformation.

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From Liquidity to Value: A Management Accounting Lens on Sri Lanka's Crisis, Stabilisation, and Recovery

MIM Riyath

Abstract

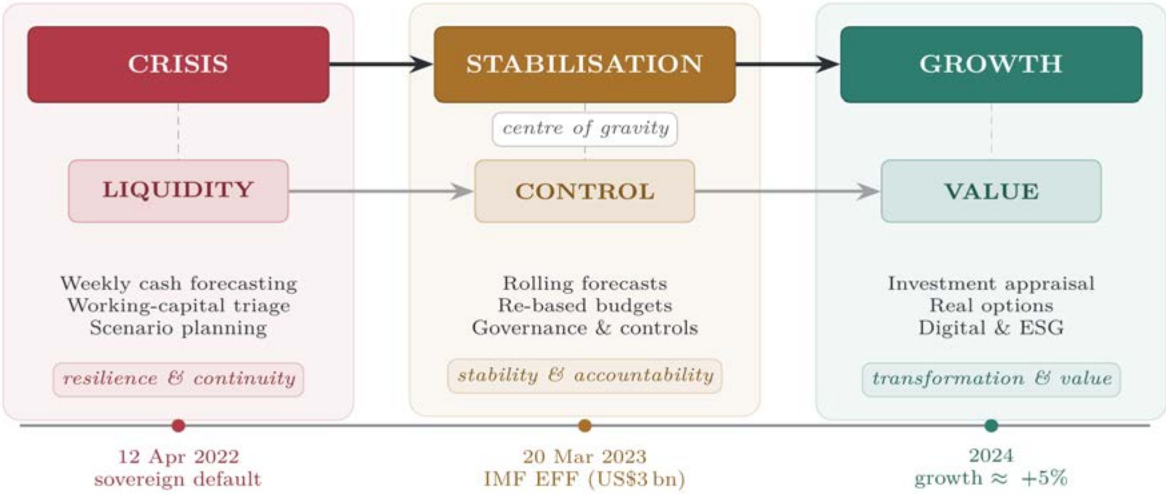
Sri Lanka's path from the sovereign default of April 2022 to renewed growth in 2024 offers an unusually complete case for examining what management accounting contributes when an economy moves through crisis, stabilisation, and recovery. This article argues that the discipline's contribution is best read as a shift in the information system's centre of gravity: liquidity dominates during crisis, control reasserts itself during stabilisation, and value creation returns during growth. The distinctive task that runs beneath all three phases is to make the trade-off between present liquidity and future capability visible and costed before irreversible decisions are taken. Drawing on the national experience (a 700 basis-point rate rise, headline inflation near 70 percent, a 7.3 percent output contraction, an IMF programme, and the restructuring of state-owned enterprises), it shows that the management accountant's relevance is structural rather than episodic, and that the same information demands and management accounting practices recur at each turn of the cycle.

Management accounting as the navigator of the cycle

On 12 April 2022 Sri Lanka suspended servicing of most of its external debt, recording its first sovereign default, with usable reserves of approximately US$1.93 billion against roughly US$4 billion in debt-service-payments falling due that year (Central Bank of Sri Lanka [CBSL], 2022a). Headline inflation reached 69.8 percent in September 2022 on the Colombo Consumer Price Index, with food inflation reaching at 94.9 per cent (CBSL, 2022b). Real output fell 7.3 percent that year, followed by a further decline of 2.3 per cent in 2023 (World Bank, 2024). By 2024, the economy had returned to growth of 5 per cent, exceeding the 4.4 per cent forecast earlier that year (World Bank, 2025). Few national experiences compress crisis, stabilisation, and recovery into such a short period.

Management accounting is the internal information system that converts an external shock into a managed response. It does not set the exchange rate or the policy rate, but it determines whether a firm can identify, measure and respond to the effects of such moments. The argument of this article is that the discipline's centre of gravity shifts predictably as the economic cycle turns, moving from liquidity during crisis to control during stabilisation and to value-creation during growth. Recognising this shift is what separates managed adaptation from improvised survival. The sharper claim is that a single task runs through every phase; making the trade-off between immediate liquidity and future capability visible and measurable. What changes across the cycle is merely the point where that trade-off bites hardest.

Figure 1 summarises the framework. The sections that follow trace each phase, then extend the argument to sustainability, the public sector, and the role of the profession.



***The management accountant's shifting centre of gravity across* the economic cycle.**

As an organisation moves from crisis through stabilisation to growth, the dominant information demand shifts from liquidity to control and then to value; the lower band marks the corresponding national milestones in Sri Lanka's 2022–2024 experience.

Crisis: the primacy of liquidity

When the rupee was floated in March 2022 and the Central Bank raised its standing facility rates by 700 basis points to 13.50 and 14.50 percent on 8 April (CBSL, 2022c), the binding constraint within most organisations changed overnight. Reported profit, the conventional focus of the accounting system, became almost irrelevant. Solvency turned on cash. The first task of management accounting in a crisis is therefore to re-rank its outputs, placing short-term cash forecasting ahead of the annual profit plan.

Three practices carry the weight. Cash-flow forecasting tightens from monthly to weekly or daily granularity, because import-dependent firms facing fuel rationing and failures in letters-of-credit failures could not plan a fortnight ahead using monthly figures. Working-capital triage follows, as receivables, payables, and inventory are managed to release cash rather than maximise reported margins. Scenario planning replaces point estimates, as no single forecast of the rupee or of input prices could be considered credible. Firms that modelled a range of exchange-rate and demand paths were able to pre-commit responses rather than react too late.–

The recurring error during this phase is to confuse cost reduction with cost management. Indiscriminate cutting protects this quarter's cash at the expense of the capabilities needed for recovery. Training, maintenance, customer relationships, and product development are easy to stop but slow and costly to rebuild. The literature on cost behaviour shows that costs are 'sticky', falling less readily than they rise (Anderson et al., 2003). The management accountant's contribution is to distinguish genuinely discretionary expenditure from the committed capability that recovery will require, and to defend the latter even under acute liquidity pressure. Business continuity planning also belongs within this phase~~;~~ costed rather than asserted.

Stabilization: the return of control

Stabilisation arrived through policy intervention. The IMF approved a 48-month Extended Fund Facility of approximately US$3 billion (SDR 2.286 billion) on 20 March 2023 (International Monetary Fund [IMF], 2023), inflation fell into single digits by the middle of that year, and the rupee stabilised.. As the macroeconomic noise subsided, the emphasis shifted from liquidity to control.

The headline casualty of the crisis was the annual budget. A fixed plan built on assumed prices is meaningless when those prices rise by 70 per cent within a year, and many organisations spent 2022 operating with budgets that bore no relation to actual conditions. Stabilisation is the point at which the planning architecture can be rebuilt on more durable foundations: rolling forecasts that maintain a constant planning horizon in each period, an approach long advocated under the banner of beyond budgeting (Hope & Fraser, 2003), and driver-based models that re-baseline output, cost, and price against current realities rather than a stale baseline. Variance analysis, which is uninformative when every variance is swamped by inflation, regains its diagnostic value once prices remains stable long enough for a deviation to mean something.

Control, in this sense, is inseparable from governance. The crisis exposed weaknesses in transparency and accountability across both private and public-sector balance sheets, and the reform programme made disclosure and oversight explicit conditions of recovery. Strengthening management controls (Simons, 1995), through clear cost-centre responsibility, reliable internal reporting, and accountability for results against re-based plans, is how stability is sustained rather than merely achieved. Cost management at this stage shifts from emergency cost-cutting to the structural question of what the organisation's cost base should be in a smaller, reformed economy. This is fundamentally a design decision rather than a reflex response.

Growth: the pursuit of value

With output expanding again from 2024, the questions that matter become forward-looking, and capital allocation returns to the centre of the management accountant's work. Two challenges distinguish post-crisis growth from ordinary expansion. The cost of capital remains elevated, because a country that has only recently restructured its debt carries a higher risk premium, and mechanically applying a pre-crisis hurdle rate may either reject sound projects or accept unsound ones. Uncertainty also remains high, making a single net present value calculated from point estimates a fragile basis for commitment.

The appropriate response is to appraise investments according to their sensitivity to the assumptions that drive them, reporting how value changes across exchange-rate, demand, and cost scenarios rather than collapsing the decision ~~in~~to one number. Where commitments can be staged, real-options reasoning (paying for the right to expand, defer, or abandon as uncertainty is resolved) captures flexibility that a static appraisal would discard. Digital transformation supports this work directly: real-time data and integrated systems enable performance management to move from retrospective reporting to forward guidance (Otley, 1999), while freeing the management accountant from reconciliation toward analysis. The role itself migrates in the process, from scorekeeper to business partner embedded within strategy (CGMA, 2019).

Sustainability and long-term value

The clearest lesson of the cycle is that short-term stability and long-term value are not opposing claims on the same resources but rather a question of sequencing. At the firm level, the Sri Lankan case leaves an important proposition for later empirical testing: on the logic of cost stickiness (Anderson et al., 2003), firms that dismantle the capabilities upon which later value depends are likely to recover more slowly than those that preserve them. Management accounting holds the two horizons in a single frame when it treats sustainability as a measured cost and benefit rather than as a reporting afterthought.

This means bringing environmental and social factors into the information set on which decisions are actually based: the cost of energy transition against the cost of exposure to fuel-price volatility and supply shocks, the return on retaining skilled staff against the cost of rebuilding a workforce, and the capital implications of governance standards that creditors and counterparties increasingly factor into their price. As reporting expectations converge on integrated and sustainability disclosures, management accountants are well positioned to ensure that what is reported externally is consistent with what is managed internally, so that environmental, social, and governance considerations inform capital allocation and performance measurement (Kaplan & Norton, 1996) rather than sitting in a separate narrative.

Public sector and policy

No account of the Sri Lankan crisis through a management accounting lens is complete without considering the state-owned enterprises, whose losses were central to the fiscal position that preceded the default. The Ceylon Petroleum Corporation, the Ceylon Electricity Board, and Sri Lankan Airlines absorbed public resources on a scale measured in hundreds of billions of rupees, the Electricity Board alone reporting losses exceeding Rs 160 billion in 2022 (Public Utilities Commission of Sri Lanka [PUCSL], 2023). These were not simply accounting failures; they were failures of policy, pricing, and governance that management accounting could have made harder to ignore. Prices were held below cost, cost transparency was weak, and budgets were disconnected from the cost-of-service provision. The pricing failure was ultimately political rather than technical, since cost-reflective tariffs are a government decision that management accounting can inform but not impose. What the discipline can fairly be held accountable for is narrower: transparent costing would have made the trade-offs between subsidy, tariff, and service-quality visible before they accumulated on the public balance sheet.

Reform applied the basic instruments of the discipline. The move towards cost-reflective electricity pricing, with tariffs raised by roughly 75 per cent from August 2022 in the first revision since 2014 (PUCSL, 2023), is a textbook application of relating price to the full cost of supply. The broader public-financial-management agenda, encompassing performance budgeting, accrual-based accounting that records the true cost of public activity, and accountability for results, is management accounting applied at the scale of the state. The same debt restructuring that re-based the public balance sheet, including the domestic optimisation of 2023 and the international sovereign bond exchange completed in December 2024 (Ministry of Finance, 2025), will endure only if the underlying disciplines of cost and pricing are held with it.

Conclusion: a repositioned profession

Read across the full cycle, management accounting is not a set of techniques summoned in emergencies and shelved in good times. Its centre of gravity shifts from liquidity to control to value, yet the discipline operates continuously beneath the surface of crisis, stabilisation, and growth. The same organisations that mismanaged information on the way down were required to rebuild it on the way up. For the certified management accountant, the implication is a standing one: relevance comes from reading which phase the organisation is in and supplying the information that phase demands, before the need becomes a crisis of its own. Sri Lanka has supplied the case; the discipline supplies the lens.

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Building Resilient Institutions:

A Management Accounting Perspective on Risk Management and Business Continuity

Thilini Jayasinghe

Abstract

In the context of a dynamic environment with continuous economic disruptions, geopolitical tensions, climate risks, and cyber threats leading to operational failures, institutional resilience has been elevated to a strategic imperative beyond compliance and quality aspirations. In order to meet evolving stakeholder expectations while navigating through the uncertainties, management accounting plays a crucial role within organizations by strengthening governance and sustaining operational continuity. This article explores how institutions can build resilience by uniquely positioning the management accounting role as a strategic enabler to turn risk awareness into actionable resilience by integrating Enterprise Risk Management (ERM), Business Continuity Management (BCM), and Performance Management. The article further examines how risk culture, leadership commitment, and adaptive governance contribute to organizational stability and sustainable growth.

Institutional resilience and the strategic role of management accounting

The modern institutional landscape is characterized by continuous disruptions, market complexities, and volatility, wherein organizations face multiple interconnected risks. Traditionally, crises were viewed as isolated events; however, in the current context, they have become a recurring reality that demands proactive risk management and a comprehensive understanding of their complexities. Against this backdrop, resilience has emerged as a defining capability of successful institutions. Resilient institutions are not those that avoid crises entirely, but those that possess the ability to anticipate disruption, respond effectively, and adapt strategically. This shift highlights the importance of risk-informed decision-making, scenario analysis, resilience metrics, and strategic resource allocation in enhancing institutional preparedness. Ultimately, resilience is not solely about crisis response; it encompasses proactive preparedness, structural adaptability, and long-term sustainability. Institutional Resilience has thus become a strategic imperative, as institutions with stronger resilience capabilities are better positioned to recover faster by understanding their vulnerabilities, assessing emerging risks, and establishing mechanisms that ensure continuity under adverse conditions.

Management accounting plays a pivotal role in supporting institutional resilience by providing forward-looking strategy insights, performance intelligence, and risk analytics while explicitly linking risk appetites to organizational objectives and performance. It bridges operational realities with strategic priorities, enabling boards to make informed decisions during periods of heightened uncertainty. Management accounting tools- such as scenario analysis, stress testing, rolling forecasts, and risk-adjusted performance measurements- allow institutions to identify vulnerabilities before they manifest as critical failures. Rather than viewing contingency planning merely as a cost to the entity, management accounting principles can be used for quantifications such as expected loss reductions, recovery time improvements, and value at risk mitigations, related to operations, to provide boards with a business case for preventive investments. Furthermore, framing resilience in terms of risk-adjusted return on capital can align enterprise performance management directly with institutional strategy.

Risk management frameworks as strategic enablers for resilience

An effective ERM framework provides the foundation for institutional resilience. International standardization bodies, such as ISO and COSO, have recognized that effective risk management improves governance, operational efficiency, and stakeholder confidence.

Following the global financial crisis of 2008-2012 leading institutions worldwide, identified risk management as a strategic enabler for resilience. Consequently, they strengthened their risk management frameworks to align with institutional strategies and performance, by defining and implementing risk appetites, providing clear indication for internal and external stakeholders on the levels and types of risks that an institution is willing to take, within the risk capacity of the institution.

An effective risk framework will;

Improve risk visibility within the organization by translating complex risk exposures into measurable financial and operational impacts, thereby providing better avenues for the management of such risks.

Improve institutional agility ensuring that institutions embedding risk considerations into strategic planning and implementation are better positioned to adapt quickly to changing conditions. Scenario analysis and stress testing allow management to assess the implications of adverse events and develop response strategies before crises occur.

Strengthen resource allocation decisions during periods of uncertainty. Institutions must allocate capital, technology investments, and operational resources in a manner that balances resilience with efficiency. Management Accounting practices support this process through cost-benefit analysis, risk-adjusted budgeting, and strategic performance evaluations.

Elevate the strategic advisor into executive leadership beyond its oversight responsibilities.

Ultimately, a fully-fledged risk management function that collaborates closely with finance, management accounting, and operational teams, will promote deep institutional resilience by building a strong risk-aware decision-making culture, and serving as the integrator between executive leadership and operational teams.

Business continuity management for operational resilience

Business continuity planning (BCP) has traditionally been viewed as a mechanism for disaster recovery and emergency response. In contrast, a well-articulated BCM framework ensures that all critical functions and processes continue during periods of disruption while minimizing the negative impact on institutional objectives, financials, and reputation.

Effective BCM ensures that all critical processes are assessed through the adequate identification of operational dependencies, the establishment of recovery priorities, and the definition of escalation protocols, supported by a business impact analysis of resources (people, systems, and other facilities). BCM requires cross-functional coordination. Strategic resilience cannot be achieved within organizational silos. Integrated response mechanisms can only be achieved through collaboration among cross-functional teams.

Business impact analysis helps institutions quantify the consequences of operational disruptions and prioritize recovery strategies. In the current context, institutions are increasingly investing in digital infrastructure, cloud technologies, cyber security resilience, and remote working capabilities to strengthen continuity preparedness. However, analytical frameworks are required to evaluate the long-term value creation and resilience benefits of such investments.

BCM should be a dynamic process whereby the institutions must continuously review and test their continuity strategies against evolving risk scenarios. Simulation exercises, crisis response drills, and post-incident reviews facilitate institutions identifying and improving preparedness. BCM promotes a risk-aware culture that is better equipped to maintain stakeholder confidence and operational resilience during a crisis.

Role of management accounting in crisis decision-making

Amid a crisis, decision-making becomes more complex due to uncertainty, rapidly changing conditions, and time pressure. In such scenarios, management accounting has the ability to provide a sound information architecture for decision-making that extends beyond historical reporting by including real-time risk-adjusted performance insights, recovery time and value mapping, liquidity analysis, dynamic forecasting under adverse scenarios, resilience dashboards instead of purely operational dashboards, and predictive analytics to support effective responses to crisis related conditions. Cost modelling and scenario simulations will support crisis related decision-making.

Management accounting systems that enable dynamic capital allocation against annual budget cycles by implementing rolling capital allocation methodologies are an important facet for crisis decision-making, which allows shifting investments towards resilience initiatives. Additionally, adapting early warning mechanisms by establishing leading key risk indicators (KRIs) linked to key performance indicators (KPIs) can provide timely signals of emerging threats. These KRIs may include variables such as, macroeconomic and/or financial indicators, logistics bottlenecks, cybersecurity incidents, or customer sentiment trends, all of which can serve as early warning signs of a potential crisis.

Resilience through inculcating a risk-aware culture

Institutional resilience ultimately depends on organizational culture and leadership commitment. A risk-oriented institutional culture promotes proactive risk awareness, continuous learning, adaptability, and cross-functional collaboration. Executive leadership must promote a culture in which risk management is viewed not as a barrier to innovation but as an enabler of sustainable growth.

Institutions that encourage open communication regarding emerging risks are more likely to identify vulnerabilities early and respond effectively. Enterprise-wide risk training and awareness programmes are important for driving cultural transformation by fostering data-driven decision-making across the institution. A growth mindset is ~~also~~ another important facet to inculcate a risk-aware culture. Institutional memory on lessons learned from disruptions, near misses, and crisis simulations should be incorporated into future planning processes. Institutions that can learn and adopt swiftly to change are better equipped to navigate uncertainty successfully.

Institutions achieve adaptive governance by structuring their risk management frameworks with several layers of oversight. The three lines of defence model enables institutions to respond effectively to rapidly changing risk landscapes while maintaining strategic direction and operational stability. It promotes agile decision-making, continuous monitoring, and flexible policy adjustments without compromising long-term objectives. Institutions with adaptive governance are better positioned to enhance stakeholder confidence and sustain growth during periods of disruption.

Conclusive framework for resilience

In an increasingly uncertain global landscape, the convergence of management accounting practices, risk management, business continuity, and crisis management into institutional strategy and decision-making provides a powerful framework for institutions to navigate disruptions while maintaining stability and growth. Management accounting strengthens accountability and governance during a crisis, while transparent reporting frameworks ensure the timely escalation of emerging risks, enabling Boards to maintain an appropriate level of oversight.

Figure 1 below depicts a conclusive framework for resilience, integrating essential elements for sustainability.

Figure 1: A conclusive framework for resilience

Source: Author's construction

As disruptions continue to reshape the global landscape, resilient institutions will not simply survive uncertainty; they will lead through it. The future of organizational success will increasingly depend on the ability to combine rigorous governance, strategic foresight, and resilience-focused management practices.

"The views presented in this article are those of the author and do not necessarily indicate the views of the Central Bank of Sri Lanka".

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Measuring Innovation:
A Strategic Opportunity for Management Accountants

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Abstract

Innovation is not measured by ideas, workshops, or AI pilots. In an environment of currency volatility, capital constraints, inflationary pressures and rapid technology change, management accountants have a strategic opportunity to bring measurement discipline to innovation and, in doing so, to secure their place as strategic partners to the executive management and board. The central argument of this article is that innovation must be aligned with strategy and measured across inputs, processes and outcomes. Financial returns matter, but they are not enough. A narrow focus on the return on investment can lead organizations to underinvest in the capabilities that determine future resilience. This article explores the strategic management accounting tools, discipline and decision architecture required to ensure innovation contributes to growth, resilience and long-term value creation.

Introduction

Organizations today are operating in an environment defined by persistent uncertainty. Currency volatility, interest rate concerns, an uneven economic recovery, and a persistent outflow of skilled professionals sit alongside global pressures that no economy is immune from: geopolitical fragmentation, climate-related disruption, cyber risk, and the rapid, uneven diffusion of artificial intelligence into every function of the enterprise. In this environment, the instinctive response is to conserve cash, defer discretionary spending, and treat innovation as the first casualty of a tightening budget.

That instinct is understandable, but it is strategically incomplete. Resilience is not built through cost reduction alone. Organizations that emerge stronger from periods of volatility are typically those that continued to invest selectively in capability, even while managing costs elsewhere. For management accountants, this reframes the central question. It is no longer simply, "Can we afford to innovate?' but 'do we have the measurement discipline to know which innovation is worth funding, and which is not?'

This is where strategic management accounting has a distinctive contribution to make. The profession's traditional strengths (e.g.: cost discipline, capital allocation rigour, and performance measurement) are precisely the capabilities needed to bring structure to what is often an unstructured and emotionally charged area of organizational decision-making. The management accountant's role in this context shifts from that of a financial scorekeeper to that of a strategic adviser to ensure that innovation spending generates value, and so is directed, measured, and, where necessary, redirected or stopped. Management accountants are increasingly required to act as performance architects, investment analysts, risk partners and translators between business strategy and digital transformation.

Innovation as a strategic capability

A common error in organizations, in Sri Lanka and elsewhere, is to treat innovation as something that happens with 'the IT department', an 'R&D unit' an 'innovation lab,'or an occasional hackathon. This framing understates what innovation needs to be. Innovation should be understood as a strategic capability that spans the enterprise: new business models that respond to changing customer behaviour; AI-enabled processes that reduce cost and improve decision speed; digital finance capability that gives management real-time visibility rather than month-end hindsight; improvements to customer experience that protect margin in price-sensitive markets; and data-driven decision-making that replaces intuition with evidence. Viewed this way, innovation is not a discretionary activity to be funded from what is left over after "the real business" is resourced. It is a core determinant of whether the real business remains competitive over the medium term.

This distinction matters because many organizations fall into what can be described as 'innovation theatre'. They run workshops, launch pilots, hold hackathons, create idea portals and announce digital initiatives, but fail to convert activity into enterprise outcomes. Innovation theatre creates visibility without impact. It produces momentum without discipline. It can consume management attention and scarce capital without improving growth, productivity, resilience or stakeholder trust.

For a manufacturer, innovation may involve predictive maintenance, automated inventory planning or improved energy efficiency. For a bank or financial services provider, it may involve digital onboarding, fraud analytics or personalized customer insights. For a university, it may involve analytics-driven student engagement, digital learning models or more efficient research administration. For a public sector organization, it may involve citizen-centric service delivery, workflow automation and better use of data to allocate scarce resources. The common thread is not novelty for its own sake, but disciplined application of new ideas, technologies and operating models to deliver measurable strategic value.

Effective innovation requires strategy. It must be connected to clear business priorities: growth, productivity, customer value, risk reduction, sustainability, talent capability or competitive positioning. It organizations continue to view innovation purely as a technology investment, they will continue to measure it (and fund it) poorly. Reframing innovation as an enterprise-wide strategic capability is the necessary first step toward measuring it properly.

Issues with traditional investment appraisals

Generations of management accountants have been trained to apply "return on investment, net present value, internal rate of return, and payback period" to capital allocation decisions. These tools remain appropriate for many investment decisions: a new production line, a fleet upgrade, a branch expansion. But they are less well suited to the categories of investment now dominating innovation budgets, such as AI, automation, data infrastructure, analytics platforms, and cybersecurity capability.

The difficulty is that these metrics are being asked to answer a question they were not designed for. A discounted cash flow model assumes reasonably predictable future cash flows attached to a defined asset or project. Many digital and AI investments do not behave this way. Their value lies substantially in the options they create, such as the ability to scale quickly once a pilot succeeds, the organizational learning that accumulates from early deployment, the competitive positioning that comes from having usable data and digital infrastructure before a competitor does, and the flexibility to pivot as customer needs or regulatory settings change. None of this shows up cleanly in a NPV calculation, and a rigid insistence on early, precise ROI can lead an organization to reject exactly the investments most likely to protect its long-term competitiveness.

There is a second, related risk: applying ROI as the primary decision filter at the wrong point in the innovation lifecycle. Applied too early, when an initiative is still validating feasibility and fit, ROI analysis forces false precision onto highly uncertain assumptions. Applied too late, it fails to influence a decision that has already been made through months of accumulated sunk cost and organizational momentum. The management accountant's task is not to abandon financial discipline but to apply the right measurement tool at the right stage, and to be honest about the limits of financial certainty in early-stage investment.

Consider an investment in data infrastructure. The immediate financial return may be unclear. The organization may not be able to attribute a direct revenue uplift to a modernized data platform in the first year. However, without trusted data, the organization may struggle to implement predictive analytics, introduce agentic features, improve customer segmentation, detect fraud or comply with emerging reporting obligations. The investment creates a foundation for future value.

AI presents similar challenges. AI initiatives may begin as experiments with uncertain outcomes. Some will fail. Some will produce productivity gains that are difficult to isolate. Others may create entirely new ways of working. If each AI initiative is judged too early using conventional ROI, organizations may terminate promising initiatives before learning has occurred. Conversely, if AI projects are not measured rigorously, organizations may continue funding pilots that never scale.

Strategic management accounting must therefore assess both financial and non-financial value drivers and distinguish between immediate returns, strategic options, risk reduction, capability creation and long-term competitive positioning.

In uncertain environments, investment appraisal should include questions such as:

- Are we building a capability that supports the organisation's strategy?
- Does this investment create future options?
- What assumptions must be validated before further funding is released?
- What risks are reduced by this investment?
- What capabilities will be developed internally?
- How will we know whether to scale, stop or redesign the initiative?

This is where innovation measurement moves beyond accounting for spend and becomes a discipline of strategic capital allocation.

Strategic management accounting as an innovation enabler

Strategic management accounting provides a powerful foundation for measuring innovation because it links financial information with strategy, operations, customers, competitors and long-term value creation. Tools that CMA members already know (e.g.: the balanced scorecard, strategy maps, activity-based management, strategic cost management, customer profitability analysis) were developed to connect operational activity to strategic intent, and to make visible value drivers that traditional financial statements obscure. Applied to innovation and digital transformation, they do the same job.

A balanced scorecard extended to include digital and innovation KPIs (e.g.: data quality scores, model adoption rates, digital channel penetration, automation coverage) gives a rounded view of digital maturity rather than a single, lagging financial figure. Strategy maps make explicit the causal chain between an investment in, say, a customer data platform and the downstream financial outcome it is intended to produce, which disciplines both the investment case and the subsequent performance conversation. Activity-based management and strategic cost management, properly applied, reveal where digitisation is genuinely reducing cost-to-serve and where it is simply adding a layer of technology cost onto an unchanged process.

Customer profitability analysis can also inform innovation decisions. Not all revenue is equally valuable. Management accountants can help identify which customer segments, products or channels generate sustainable value and where innovation should be directed. For example, digital channel investment may be justified not because it reduces cost alone, but because it improves retention among high-value customers.

Digital KPIs are increasingly important. These may include automation rates, data quality scores, cycle times, AI adoption rates, forecast accuracy, digital service usage, cybersecurity maturity, user experience, process exception rates and time-to-decision. These measures help translate digital transformation from broad aspiration into measurable progress.

The point for CMA members is that strategic management accounting is not a bystander to digital transformation. It is one of the disciplines best equipped to give digital and AI investment the same rigour, the same governance visibility, and the same accountability that has long been applied to capital expenditure on physical assets.

Measuring innovation across three dimensions

A useful and increasingly recognized approach is to measure innovation performance across three connected dimensions: input, process, and outcome. Each answers a different governance question, and each is prone to a different failure mode if used in isolation.

Input metrics: measuring strategic commitment

Input metrics track the resources being committed to innovation. These include capital, talent, leadership attention, technology platforms, data assets and capability development. They make investment choices visible. Input measures answer the question: *are we investing enough, in the right places?* Relevant indicators include:

- innovation spend as a percentage of revenue,
- headcount/leadership time committed to innovation initiatives,
- digital infrastructure readiness,
- data capability maturity,
- spend on training and change management to embed new ways of working.

The risk with input measures used alone is that they create an illusion of progress — spend is mistaken for outcome, and a well-funded innovation programme can still fail to deliver anything of value. A large technology budget can still produce poor value if it is not aligned with strategy or supported by process redesign. However, input metrics help leaders identify whether innovation is being funded seriously or merely discussed rhetorically.

For most organizations, input metrics are particularly important because capital is often constrained. Many businesses cannot afford large-scale transformation programs. However, this makes disciplined allocation even more important.

Leadership commitment is also a critical input. Innovation rarely succeeds when delegated entirely to technical teams without executive ownership. Management accountants can help quantify the opportunity cost of leadership time and ensure senior attention is directed to initiatives that matter strategically.

Data assets are another essential input. In the age of AI and analytics, data quality, accessibility and governance directly influence innovation outcomes. Organizations that lack reliable master data, consistent definitions or integrated systems will struggle to generate trusted insights. Measuring data maturity is therefore part of measuring innovation readiness.

Process metrics: measuring learning and governance

Process metrics assess how effectively an organization converts ideas and resources into validated learning. They examine the quality of experimentation, governance, decision-making and portfolio management. The objective is not to move every idea quickly through the pipeline. Speed without discipline can create waste. The objective is to reduce uncertainty quickly and make better decisions. Process measures answer the question: *are we converting effort into validated learning and scalable options?*

Relevant process metrics include

- cycle time from idea to experiment, experiment cadence,
- stage-gate throughput,
- kill/continue rates,
- time-to-pilot,
- time-to-scale,
- compliance readiness,
- benefits validation,
- user adoption during pilot phases,
- decision quality and post-implementation learning.

Kill/continue rates are particularly important. In many organisations, stopping a project is seen as failure. In a mature innovation system, stopping a weak initiative early is evidence of good governance. A healthy kill rate is not a sign of failure; it is a sign of governance working as intended. It means capital and talent can be reallocated to higher-value opportunities. Management accountants should help normalise this discipline by measuring how quickly poor initiatives are identified and how effectively resources are redirected.

Stage gates should not become bureaucratic rituals. They should be decision points based on evidence. At each stage, management should ask*: what have we learned, what assumptions have been validated, what risks remain, what value is emerging and should further investment be released*?

For AI initiatives, process metrics should include responsible AI considerations. Has the model or tool been tested for accuracy? Are privacy and data security risks understood? Is there human oversight? Are outputs explainable enough for the intended use? Are users trained? Is there a clear accountability model?

Outcome metrics: measuring strategic value

Outcome metrics assess whether innovation is delivering value. These should be measured at both project and portfolio levels. Outcome measures answer the question: *did this change customer, financial, or risk outcomes in line with strategy?* At the level of an individual initiative, this includes the share of revenue derived from new products or services, margin improvement, customer adoption and retention, reduction in operational or compliance risk events, and gains in automation coverage or cost-to-serve. At the portfolio level, boards should look at the aggregate return across the innovation portfolio, whether the mix of short, medium, and long-term bets matches the organization's intended strategic balance, and how efficiently capital is being reallocated away from underperforming initiatives toward those showing evidence of traction. Outcome metrics must be linked to strategy.

At project level, useful metrics include:

- revenue from new products or services,
- margin uplift,
- productivity improvement,
- cost-to-serve reduction,
- customer retention,
- customer lifetime value,
- automation rates,
- reduction in process errors,
- improved forecast accuracy,
- reduced compliance breaches,
- lower risk events and improved service levels.

At portfolio level, useful metrics include:

- innovation portfolio return,
- horizon mix realization,
- capital reallocation efficiency,
- proportion of initiatives scaled,
- percentage of initiatives stopped early based on evidence,
- strategic capability created,
- resilience improvement and contribution to long-term value drivers.

Used together, these three dimensions prevent an organization from mistaking activity for achievement. This is the pattern sometimes described as innovation theatre, in which hackathons, workshops, and proof-of-concept pilots generate visible enthusiasm without ever being connected to a rigorous decision architecture that reallocates capital, stops weak initiatives, and scales successful ones.

AI, the economics of innovation and the need for governance

AI is fundamentally changing how organizations innovate. Generative and Agentic AI, predictive analytics, machine learning and process automation capabilities are reducing the cost of experimentation and increasing the speed at which organizations can test ideas. A pilot that once required a dedicated IT team and months of development can now be prototyped by a small finance or operations team in days. This is a genuine and welcome shift, particularly for resource-constrained organizations, and it should encourage leaders to be more willing to test digital ideas at small scale.

However, cheaper experimentation does not remove the need for governance, measurement, or ethical oversight. If anything, it increases the need for all three, simply because the volume and pace of AI-enabled initiatives is now higher than the pace at which traditional governance structures were designed to review them. Boards should be alert to a distinction that is easy to lose sight of amid the pace of technology adoption: management is responsible for implementing AI initiatives and building the operational capability to run them safely; the board is responsible for setting strategic direction, approving the organizations' risk appetite for AI use, and satisfying itself that technology investment is creating sustainable long-term value rather than short-term novelty. Conflating these two roles (with boards drawn into operational detail, or management left to set risk appetite by default because the board has not engaged) is one of the more consequential governance failures organizations are likely to encounter as AI adoption accelerates.

For management accountants, this has practical implications. AI initiatives should be assessed against a balanced set of measures: productivity improvement, decision quality, user adoption, risk reduction, customer value, compliance, explainability, cost-to-operate and strategic capability. Organisations should also consider the cost of AI usage, including technology subscriptions, integration costs, data preparation, training, governance, cybersecurity, and ongoing monitoring.

Executive leaders should expect to see AI risk considered alongside AI opportunity in every material investment paper, and audit and risk committees should build AI-specific questions into their existing oversight cycles rather than treating AI governance as a separate, parallel process.

The evolving role of the management accountant

The shifts described in this article is a material change in what is expected of the management accountant. The role is expanding from cost analysis and variance reporting toward a strategic adviser to the executive team on where and how much to invest in innovation. An innovation analyst, applying the input-process-outcome framework with the same rigour once reserved for capital budgeting. A technology translator, able to interpret AI and digital initiatives in terms the board can evaluate through a value-creation and risk lens. A performance architect, designing the KPIs and scorecards that keep innovation honest.

Innovation investment decisions are, almost by definition, decisions made under conditions of incomplete information. This argues for capital allocation approaches that explicitly build in optionality rather than demanding upfront certainty. Management accountants can therefore benefit from "real-options thinking", which refers to treating an initial, modest investment as the price of the right, but not the obligation, to invest further once uncertainty resolves. This is a useful discipline for accountants advising on digital and AI investment. So too is "portfolio thinking": rather than evaluating each initiative in isolation, leaders should periodically review the innovation portfolio as a whole, considering the balance between near-term, incremental improvements and longer-horizon, higher-risk bets, and satisfying themselves that the mix is appropriate to the organization's risk appetite and strategic ambition.

Stage-gate processes, with clearly defined criteria for progressing, pausing, or terminating an initiative at each gate, give this thinking practical form. Perhaps the most important (and most culturally difficult) element is the willingness to stop funding initiatives that are not working before sunk cost makes that decision politically difficult. A capital allocation framework is only as credible as the organization's demonstrated willingness to reallocate capital away from initiatives that have not delivered validated learning within a reasonable and pre-agreed timeframe.

Several practical implications follow.

i. Affordability should shape the choice of tools rather than the ambition of the framework. Cloud-based analytics and AI services, shared services arrangements, and sector-level collaboration through professional and industry bodies can give organizations access to capability that would be unaffordable to build individually.

ii. The disciplined measurement architecture described above (input, process, and outcome metrics, applied consistently) is, if anything, more valuable in a capital-constrained environment than in a well-resourced one, because the cost of funding the wrong initiative is proportionately higher.

iii. Talent constraints and continued migration of skilled professionals mean that Sri Lankan organizations cannot rely solely on hiring their way to digital and AI capability; internal training, partnerships with local universities, and structured capability-building through professional bodies such as CMA have a larger role to play.

iv. The businesses that make up a significant share of the economy typically operate with governance structures that were not designed with digital and AI oversight in mind. Extending risk and audit mandates to cover AI governance is likely to be the more practical path for many organizations.

Embedding a disciplined innovation measurement framework into that broader process of financial and strategic reset is considerably easier than retrofitting one into an established, unexamined set of practices later. Boards and audit committees currently reviewing risk appetite statements and strategic plans as part of post-crisis recovery would do well to include digital and AI investment discipline in that review, rather than treating it as a separate exercise to be addressed once conditions are more settled.

Conclusion

Innovation should not be judged by the number of ideas generated, the number of workshops held, or the number of AI pilots launched. Those are inputs and activities, not evidence of value created. Innovation earns its place in the strategic plan when it can be shown, through disciplined and balanced measurement across inputs, processes, and outcomes, to be contributing to long-term value creation, organizational resilience, competitive advantage, and sustainable growth.

Sri Lankan organizations cannot afford 'innovation theatre'. They need disciplined systems supported by strategic management accounting. They need measurement frameworks that assess inputs, processes and outcomes. They need investment appraisal approaches that recognize future options, capability building and risk reduction. They need governance structures that support responsible digital transformation and AI adoption. They need capital allocation disciplines that allow successful initiatives to scale and weak initiatives to stop early.

The temptation to treat innovation spending as an easy cost to cut will remain strong. The stronger and more defensible position (and the one management accountants are well placed to make) is that disciplined, well-governed investment in innovation and digital capability is not a discretionary indulgence in difficult times. It is one of the more reliable paths through them.

The organizations that succeed will not be those that simply spend more on innovation. They will be those that measure better, learn faster, govern responsibly and allocate capital with strategic discipline. In moving from crisis to stability and growth, that is the management accounting lens that matters most.

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Digital Transformation Empowers the Management Accounting Function in Navigating Crisis, Stability, and Growth

Althaf Nihas

Abstract

Developing economies face growing macroeconomic volatility, exposing critical gaps in organizational decision making capability during crisis. Sri Lanka's successive crises including the Easter Sunday attacks, the COVID-19 pandemic, and the 2022 sovereign default demonstrate the consequences of reactive financial management and inadequate early warning systems. This article argues that digital transformation, through integrated Enterprise Resource Planning systems, artificial intelligence, and predictive analytics, enhances the management accounting function to navigate crisis, sustain stability, and position organizations for growth. Drawing on evidence from research articles, the IMF, UNDP, and World Economic Forum, the article demonstrates that predictive and prescriptive analytics shift management accountants from periodic reporters to proactive strategic advisors. Digital maturity redefines internal control, enhances transparency, and enables forward looking decision support across all phases of the economic cycle.

Introduction

Developing countries today operate in a highly volatile macroeconomic environment, exposed to both internal and external factors that continuously disrupt their economies. Sri Lanka exemplifies this reality. Within six years, successive crises, including the COVID-19 pandemic, the Easter Sunday attacks, the 2022 economic collapse, and the impact of ongoing geopolitical tensions have driven sharp increases in fuel costs, cost of living, and overall economic instability. These shocks have weakened financial stability and intensified pressure on organizations to make fast, informed decisions under uncertainty.

Digital transformation is increasingly empowering those responsible for financial planning and analysis to respond effectively to such volatility. Integrated ERP systems, artificial intelligence, and predictive analytics provide timely operational insights, enabling forward looking analysis, real time scenario management. and repositioning finance professionals as strategic enablers of resilience, stability, and sustainable organizational growth. For management accountants specifically, this technological shift is significant. It redefines the boundaries of the profession, expanding the role from financial stewardship to strategic leadership in an era of unprecedented volatility.

Need for real time decision making

Sri Lanka's economic trajectory over the past decade illustrates the consequences of inadequate early warning systems. Mendis and Rodrigo trace how successive decades of fiscal miscalculation created the conditions for collapse. The Easter Sunday attacks of April 2019 led to significant declines in tourism and foreign direct investment, while COVID-19 pandemic accelerated the depletion of foreign reserves. By early 2022, the country lacked sufficient foreign exchange to import essential goods, including fuel, food, and medicine, and the Central Bank declared a sovereign default in April of that year (Mendis & Rodrigo, 2026).

This experience was not isolated. Pashentsev and Kolotaev observe that the COVID-19 pandemic exposed critical gaps in organizational forecasting capabilities worldwide, highlighting the limitations of existing tools in anticipating rapidly evolving threats. This deficiency felt acutely across Sri Lankan businesses (Pashentsev & Kolotaev, 2025).

What made this crisis so damaging at both organizational and national levels was not only their severity, but the failure of conventional systems to provide early warning. Research (Mendis & Rodrigo, 2026) into Sri Lanka's economic collapse reveals that economic policymaking was often reactive and inconsistent, with warning signs in key macroeconomic indicators repeatedly overlooked until the damage had already been done. Consequently, organizations were reactive by design, confronting price shocks, supply disruptions, and currency volatility only after their financial impact had already been felt. This information gap between what was unfolding in the economy and what management accountants could see in time to act is precisely what digital transformation is engineered to close.

Digital transformation as a strategic decision

Integrated Enterprise Resource Planning (ERP) systems and artificial intelligence (AI) the technological foundation through which organizations can bridge this information gap.When embedded within an ERP framework, AI enables management accountants to move beyond periodic reporting and towards continuous monitoring of financial transactions. This facilitates the detecting of anomalies, and the generation of scenario-based recommendations that support strategic decision-making before adverse conditions fully materialize.

Analytics is one of the key outputs of digital transformation. Its value extends beyond the monitoring of past transactions to the forward-looking decision support. Critically, the value of these technologies is realized not when they replace human judgment, but when they enhance it. Pasupuleti argues that AI gains practical value only when embedded within explicit institutional frameworks that discipline evidence gathering, make assumptions visible, test scenarios, and detect anomalies to support structured deliberation (Pasupuleti, 2026).

For management accountants, this means digital transformation is most powerful when it elevates their capacity for strategic reasoning, positioning them not merely as financial reporters but as proactive architects of organizational resilience and sustainable growth in times of crisis and beyond.

Digital transformation in action

The value of digital transformation in navigating economic crisis is no longer merely theoretical. It is demonstrated through the experiences of countries and organizations that invested in digital capabilities before disruption occurred.

The United Nations Development Programme, drawing on insights from the World Economic Forum insights (Ramiah, 2024), highlights that AI is already being applied in crisis contexts through real-time risk monitoring, early warning systems, and digital impact assessments. These tools integrate data from multiple sources to detect emerging vulnerabilities and support faster intervention, shifting crisis management from reactive management towards proactive planning. In developing economies such as Sri Lanka, such systems are increasingly relevant for identifying macroeconomic risks before they escalate. For entities operating in emerging economies, access to such tools changes how vulnerabilities are identified and how quickly decision makers can respond.

Beyond crisis response, international financial institutions emphasize the growing role of digital technologies in improving economic forecasting and financial stability. The International Monetary Fund (Chan-Lau, et al., 2023) notes that artificial intelligence and digital innovation enhance the ability to monitor financial systems, improve data-driven forecasting, and strengthen policy responses in uncertain economic environments. In parallel, the World Economic Forum highlights that machine learning models can process large-scale financial and economic data to identify early warning signals of potential instability, enabling governments and institutions to act before risks fully materialize. This represents a shift from reactive analysis toward anticipatory economic governance, where data and algorithms play a central role in crisis prevention and management (Petric, 2024).

Within this evolving landscape, management accountants inside organizations are increasingly expected to engage with data-driven intelligence, not merely as users of analytical outputs, but as active interpreters who translate algorithmic signals into strategic action.

Digital transformation for economic stability and growth

While navigating through the crisis, the challenge shifts from immediate response to rebuilding on a more resilient foundation for economic stability. This transition demands more than a return to pre-crisis conditions. The development of digital management tools that ensure transparency, accountability, and compliance with international governance standards is of paramount importance in post-crisis economic recovery and stability (Cherep, et al., 2026).

In this context, artificial intelligence systems capable of continuously monitoring financial transactions, detecting deviations, and generating decision-support options represent a qualitative shift in how organizations maintain economic security during periods of stabilization. Rather than responding to risks after they materialize, digitally equipped organizations can identify and mitigate threats before they escalate into systemic disruption. For management accountants responsible for financial oversight, this capability redefines internal control, shifting it from a compliance function into a forward-looking risk management discipline.

The role of data analytics in sustaining stability extends beyond governance and risk management into operational performance. Data analytics enables organizations to move from reactive to proactive strategies, optimizing resource allocation, streamlining operations, and reducing costs through continuous data-driven insight (Deshmukh, et al., 2024). The application of predictive and prescriptive analytics allows organizations to anticipate operational challenges and prepare responses before disruption occurs, rather than absorbing its consequences after the event. This shift from historical reporting to forward-looking analysis is crucial to how digitally mature organizations maintain performance consistency during periods of uncertainty.

As stability continues, digitally mature organizations are positioned to shift from defensive management towards value creation. The same analytical infrastructure that prevented crisis driven losses now supports investment decisions, market expansion analysis, and performance optimization. For management accountants and the organizations, they serve, embedding these capabilities during stabilization phase positions them to capitalize on future growth opportunities as economic conditions improve, transforming digital maturity from a crisis tool into a long-term competitive advantage.

Conclusion

The evidence presented throughout this article makes it clear that digital transformation is not an optional consideration for organizations operating in volatile environments, rather it is foundational to their capacity to navigate crisis, sustain stability, and position themselves for growth.

Integrated ERP systems, artificial intelligence, and advanced analytics are engineered precisely to support organizational decision-making, enabling them to move from reactive crisis absorption toward proactive strategic management. As evidence from international institutions and global experience demonstrates, predictive analytics can forecast emerging vulnerabilities, while prescriptive analytics recommends timely responses. Together, these capabilities alter how organizations maintain performance consistency during uncertainty. The same digital infrastructure that enables effective crisis response also provides the foundation for transparent governance, optimized resource allocation, and sustained operational resilience during periods of stabilization.

Organizations that commit to this transformation do not merely survive during a crisis, but they build the institutional capability to anticipate it, manage through it, and emerge from it with stronger decision-making foundations. In a macroeconomic environment that continues to evolve unpredictably, digital transformation is not a strategic advantage for the management accounting profession, but it is a strategic necessity.

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The Ceremonial Launch of Cost Accounting Standards

Entering the Era of Cost Standards

Mangala Fonseka

The Institute of Certified Management Accountants of Sri Lanka (CMA Sri Lanka), the National Professional Management Accounting Institution (incorporated by Parliamentary Act No. 23 of 2009), took pride in releasing nineteen Standards through the launch of Cost Accounting Standards of Sri Lanka (CASSL), at a glittering ceremony held on May 15, 2026, at the Taj Samudra, Colombo. The ceremony was attended by a distinguished audience consisting of top level representatives of the Government, public sector, industry, academia, and professional bodies. These standards take effect from July 1, 2026.

Introduction

CASSL fulfills a long awaited need in the history of the nation's cost accounting practice. While financial accounting and its derivatives- such as financial analysis and reporting- often take centre stage in organizational dynamics, cost accounting, the very core and the foundation of accounting continue to remain back-stage. Responding to this anomaly and its adverse implications, release of CASSL seeks to bring cost accounting to the forefront of organizational management.

With the implementation date drawing near it is vital that all relevant stakeholders, including the academic and the student community of the University Sector, have a basic idea of CASSL. This encompasses (a) development of standards in the local context, (b) the overarching system, and (c) implementation aspects. This article aims to outline these aspects in some detail, which will have a ripple effect in passing the message far and wide. Written on the invitation by the Editor, **Accounting Sphere,** University of Ruhuna, the author expresses his deep appreciation to the University of Ruhuna for kindly permitting reproduction of the article. .

Development of standards in the local context

Managing costs is the foundation of value maximization and a key driver of competitive advantage. Effective cost management enables an enterprise, whether public or corporate, to use its scare resources prudently leading to higher levels of productivity and surpluses/ profits. Regardless of the size, industry, ownership, or strategic orientation, cost management is mandatory for organizational excellence, particularly in developing countries like Sri Lanka, where fiscal constraints make efficiency a necessity.

Managing costs is supported by institutionalization of collecting, recording, and synthesizing of cost data, followed by compilation of cost sheets. Application of cost accounting standards provides a uniform framework for measuring, assigning, and allocating costs that enables development of cost sheets in a consistent and equitable manner on a timely basis. The cost sheets, thus prepared, facilitate purposeful comparison and benchmarking; enhance understanding of occurrence and allocation of costs; promote effective decision making; and comply with regulatory and legal requirements. In effect, application of cost accounting standards provides a range of benefits to users in the informative, comparative and decision-making spheres. Thus, preparation of accurate and comparable costs sheets happens to be the larger purpose of the cost accounting standards.

The earliest attempts at developing cost accounting standards date back to the US of 1970s where a set of nineteen standards were developed to ensure consistency and comparability in how contractors account for and allocate costs on federal defense contracts. This was followed by several other countries in South Asia, namely India, Bangladesh and Pakistan who adopted similar systems with enthusiasm. Of these, India is of particular interest where, under the guidance of the Cost Accounting Standards Board of India (ICMAI), a comprehensive system of 24 cost accounting standards has been developed. These are used across industries and the public sector to determine accurate production costs as well as comply with statutory cost audit requirements.

Sri Lanka is the latest to join this movement. Under the auspices CMA *Sri Lanka* the nation has launched an initiative to introduce cost accounting standards across manufacturing, services, and the public sectors. With the blessings of ICMAI CMA *Sri Lanka* has been permitted to adopt Indian standards to the local context. Accordingly, spearheaded by the Cost and Management Accounting Standards Board (CMASB) of the CMA *Sri Lanka* CMSSL were developed under technical collaboration of ICMAI, adopting a rigorous methodology comprising perusal of literature, review meetings, and workshops. This long neglected, but much desired endeavour is expected to revolutionize the practice of cost management, providing far reaching benefits for organizations, industry and society.

The overarching system

The overarching system of CASSL comprises three tiers: Conceptual Foundation; Generally Accepted Cost Accounting Principles; and the Cost Accounting Standards. CASSL, the ultimate outcome, is based on *generally accepted cost accounting principles*, which, in turn, are grounded on a formidable *conceptual foundation.* Drawn from the latest Indian material and acclimatized to the local context, a brief note on each tier is given below.

The conceptual foundation

The conceptual foundation offers the basis for developing the Generally Accepted Cost Accounting Principles (GACAP) followed by the Cost Accounting Standards (CASSL). It comprises six cornerstones that stipulate the norms/ values running through the standards like a common thread. While serving as a search light to understand GACAPs and CASSL in the correct perspective, it offers guidance for their refinement and extension.

The cornerstones that comprise the conceptual foundation:

- Focus on cost drivers of value
- Cost for a purpose
- Reality driven cost models
- Materiality and cost effectiveness
- Comparability and consistency
- Transparency and auditability.

This provides the bedrock for development of GACAPs, as the immediate extension.

Generally accepted cost accounting principles

Generally Accepted Cost Accounting Principles (GACAPs) denote a collection of propositions/ rules for recording cost data that serve as the basis to explain behaviour of cost accounting systems. Based on the conceptual foundation, they offer a chain of reasoning for the process of costing and preparation of cost sheets. They could also be visualized as a set of norms or guidelines to comply with in preparing cost sheets. Moreover, GACAPs serve as the precursor to preparation of CASSL that provide uniformity to the cost sheets.

These GACAPs cover thirteen elements of cost: Material cost; Employee cost; Direct expenses; Utilities; Repairs and maintenance cost; Production overheads; Depreciation; Administrative overheads; Selling and distribution overheads; Interest and finance charges; Sales; Joint costs; and Common costs.

The cost accounting standards, the rules/ guidelines to be adhered to in preparing cost sheets, are formulated by picking and combining cost accounting principles in purposeful ways.

Cost accounting standards of Sri Lanka

Cost Accounting Standards of Sri Lanka (CASSL) are a set of standardized principles and guidelines issued to ensure uniformity, consistency, and accuracy in the measurement, classification, assignment, and presentation of cost related information in cost statements. In effect, they offer a collection of rules that keeps the cost data honest, consistent, and comparable. Each standard addresses a specific component of cost stipulating manifold aspects of presentation in a reliable and consistent manner. In effect, they constitute a set of procedures for recording and reporting measurement of the cost of manufacturing goods and performing services at the unit and aggregate levels, and in detail via the cost sheet.

The benefits of CASSL include:

i. Establish uniform methods for cost measurement across organizations and industries to facilitate comparison and benchmarking.
ii. Enhance the clarity of cost data, making it easier for stakeholders to understand how costs are incurred and allocated.

iii. Hold organizations responsible for the cost management practices, ensuring that costs are justified and documented.

iv. Compute accurate cost information (right costs) to assist administrators and management in making informed tactical, operational, and strategic decisions.

v. Ensure adherence to legal and regulatory requirements related to cost reporting and decision making.

The nineteen CASSL currently released deal with important elements of cost as given in Table 1. Each standard covers succinctly and precisely the following: Introduction; Objective; Scope; Definitions; Principles of measurement; Assignment of costs; Presentation, Disclosures, and the Effective date. More standards are likely to be introduced as well as refining the existing ones depending on the views of business and public sectors. In giving numbers to CASSL the numbering system of the Indian Cost Accounting Standards has been followed resulting in a few gaps at present.

COST ACCOUNTING STANDARDS OF SRI LANKA (CASSL)

CASSL	**Title**
CASSL 1	Classification of Cost
CASSL 2	Capacity Determination
CASSL 3	Production and Operation Overheads
CASSL 6	Material Cost
CASSL 7	Employee Cost
CASSL 8	Cost of Utilities
CASSL 9	Packing Material Cost
CASSL 10	Direct Expenses
CASSL 11	Administrative Overheads
CASSL 12	Repairs and Maintenance Cost
CASSL 13	Cost of Service Cost Centre
CASSL 14	Pollution Control Cost
CASSL 15	Selling and Distribution Cost
CASSL 16	Depreciation and Amortization
CASSL 17	Interest and Financing Charges
CASSL 19	Joint Costs
CASSL 20	Royalty and Technical Know-How Fee
CASSL 21	Quality Control
CASSL 22	Manufacturing Cost

The larger purpose of cost accounting standards

As indicated previously, the larger purpose of CASSL is computation of accurate costs of products or services through use of the Cost Sheet. This will involve a range of applications such as comparing costs for internal purposes as well as responding to external demands, for example, the Customs Department, Inland Revenue Department, Consumer Affairs Authority, and Department of Commerce. The cost sheet provides information to satisfy the varying needs of these external organizations.

The cost sheet constitutes a detailed document that outlines the total cost associated with manufacturing a product, rendering a service, accomplishing a job, completing a project, or any such endeavour. It will be prepared either in the aftermath of the event (costs incurred)- historical cost sheet, or prior to the event (estimated costs)- estimated cost sheet. Further, the cost sheet is designed to illustrate a consecutive buildup of cost components organized in a logical manner. It also contains value adding columns such as per unit costs and other similar indicators which enhance understandability of related costs. The associated time span of the cost sheet depends on the nature of the event concerned such as monthly, annually, or even completion of the project/ job. Overall, it is a creative display of costs that brings a variety of benefits to users.

Salient benefits of the cost sheet that arise through use of historical and estimated cost sheets:

- Reveals the total cost and cost per unit, the starting point for managing costs.
- Gives intermediary cost information such as prime cost, factory cost, etc. in absolute as well as efficiency ratio terms, that dissects the total cost into its causes.
- Determines selling price through adding suitable profit mark-ups to stay competitive.
- Assists in decision making over a wide range of applications such as resources (material, labour and expenses, and special decision making situations (e.g. manufacture vs. purchase of components etc.)
- Enables cost comparison through perusing information of prior periods (available in the cost sheet) and tracking expenses for cost control and cost reduction purposes.
- Supports the tender procedure where bids are invited from prospective applicants for various supplies with the cost information providing the base-level information for the comparisons.

The structures of cost sheets vary across sectors. The differences in operational details among sectors (e.g. manufacturing vs. hospitality) give rise to such variations. Further, even within a given sector (e.g. manufacturing) variations exist among sub sectors. It follows that purposeful comparison and use of cost information requires designing of cost sheets for critical sectors and subsectors of the economy. Accordingly, the specimen cost sheet that is presently available for the manufacturing sector will be extended to other important sectors over time.

Implementation aspects

Operationalization of Cost Accounting Standards takes place within a carefully designed framework, a Cost Accounting System (CAS). Much thought and effort should go into developing the CAS that suits a given organization. A few salient points that are involved in planning and executing a CAS are given below:

Planning

- Clarify the objectives of the costing exercise.
- Decide on an appropriate cost model based on the organization structure, functions, and operations.
- Define the elements associated with the cost model: cost units, cost centres, and cost functions.
- Map the end-to-end operating processes, including interfaces among departments, support functions, shared services, and outsourced activities.
- Align the chart of accounts, cost codes, and source documents with the requirements of the cost accounting system.
- Develop standard formats for data capture, cost accumulation, allocation sheets, reconciliation schedules, and periodic cost statements.

Execution

- Collect cost data and validate the completeness and accuracy before processing.
- Assign direct costs and accumulate indirect costs in the appropriate cost centres.
- Apply approved bases for distribution, apportionment, and absorption on a consistent basis.
- Make cost information known at different levels of responsibility and accountability.
- Preparation of cost sheets and putting them to different uses.
- Review of cost accounting system periodically and effecting necessary adjustments, and improvements.

Sri Lanka has now entered the era of Cost Accounting Standards. Their effective implementation will entail far reaching benefits through enhanced cost management practices resulting in higher performance levels in the corporate and public sectors of Sri Lanka. It will, in the process, reshape the frontiers of Cost Accounting in the country and serve as the gateway to related activities such as cost audit. In the meanwhile, CMA *Sri Lanka* is working earnestly on gaining statutory status for implementation of CASSL in organizations, following the footsteps of our closest neighbor India. Thus, while much has already been accomplished, more remains to be done by the Institute in its pursuit to transform the nation to be a leader in productivity and competitiveness through managing costs prudently.

(A copy of the publication **Cost Accounting Standards of Sri Lanka (CASSL)** can be obtained from the Head Office of CMA *Sri Lanka,* Colombo 4.)

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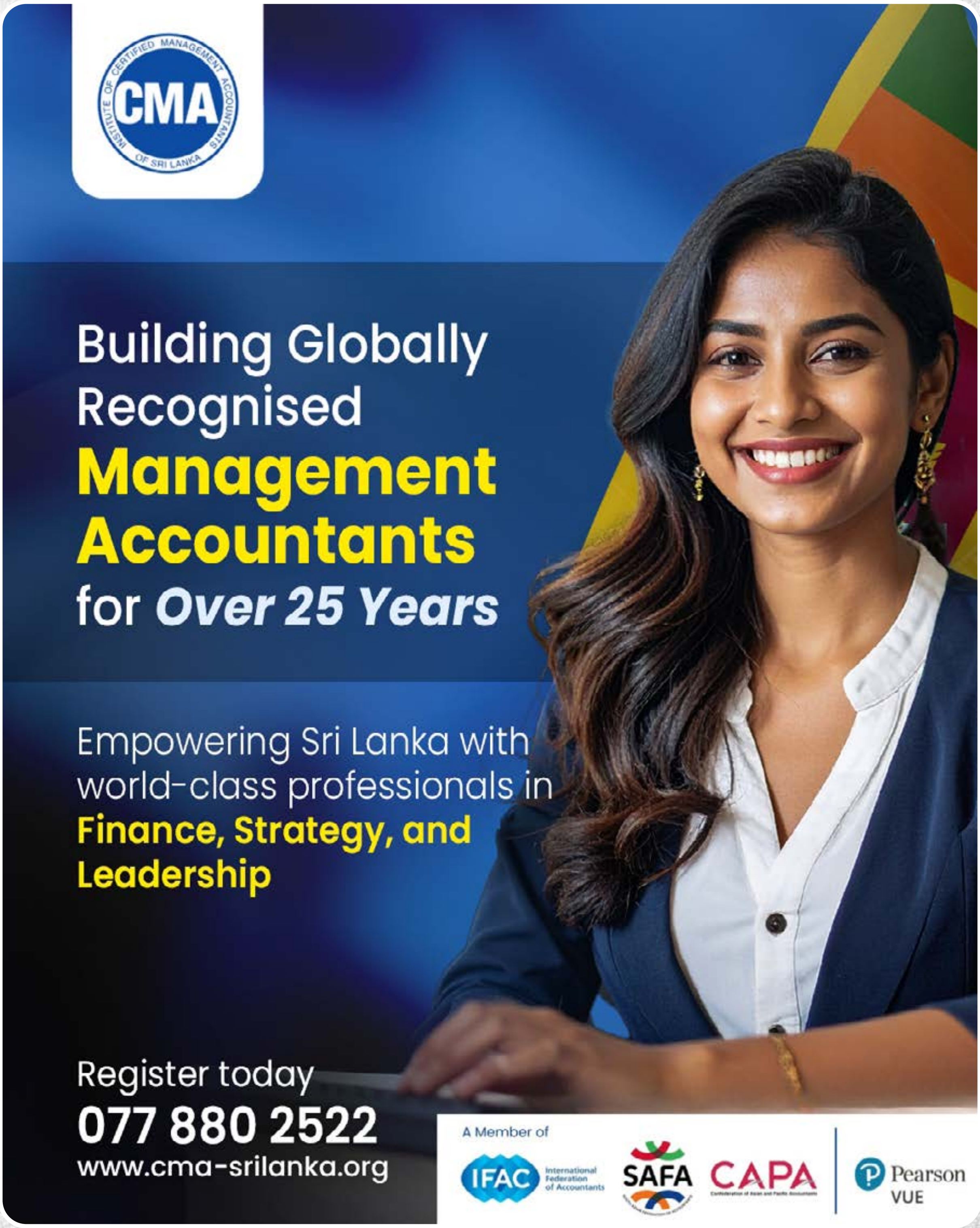
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The Necessity of Adopting Cost Accounting Standards for Electricity Distribution Lanka (Private) Limited

Manoj Botheju

Abstract

Sri Lanka's electricity sector entered a new era with the unbundling of the Ceylon Electricity Board (CEB) into six state-owned companies and the establishment of Electricity Distribution Lanka (Private) Limited (EDL) on 9 March 2026. At the same time, the Public Utilities Commission of Sri Lanka (PUCSL), under the IMF-supported reform programme, has continued implementing cost-reflective tariff revisions based on fuel prices, generation costs, and macroeconomic conditions. These reforms have increased the need for accurate, transparent, and auditable cost information to support tariff regulation, financial sustainability, and stakeholder confidence.

This article examines the importance of adopting the Cost Accounting Standards of Sri Lanka (CASSL), issued by the Institute of Certified Management Accountants of Sri Lanka (CMA Sri Lanka) and effective from 1 July 2026, from a management accounting perspective. It argues that CASSL adoption is not merely a compliance exercise but a strategic necessity for strengthening financial discipline, restoring public confidence, and supporting sustainable growth. The article demonstrates how standardized cost accounting can improve cost transparency, enhance tariff-setting, strengthen regulatory compliance, and support informed managerial decision-making. It also outlines key implementation challenges and proposes a practical roadmap for EDL to leverage CASSL as a catalyst for organizational transformation and long-term sustainability in Sri Lanka's electricity distribution sector.

Introduction

The Sri Lankan electricity sector stands at a critical juncture in its history. For 56 years, the Ceylon Electricity Board operated as a vertically integrated state monopoly, controlling the generation, transmission, and distribution of electricity across the island. While this structure achieved universal access, it was plagued by systemic inefficiencies and profound lack of commercial discipline.

The 2023 Sri Lankan economic crisis—characterized by high inflation, a depreciating currency, food insecurity, fuel shortages, and widespread disruptions to essential services—exposed the profound vulnerabilities of the CEB's monopoly structure. The CEB's massive debt burden and operational inefficiencies became a focal point for national economic reform. The consequences were severe: sustained daily power outages ranging from ten to twelve hours devastated households and businesses nationwide, severely impacting quality of life. To mitigate fiscal strain, the government implemented an unprecedented electricity tariff hike of approximately 70% by three phases during the same year.

In response, the Government of Sri Lanka enacted the Sri Lanka Electricity Act No. 36 of 2024, mandating the unbundling of the CEB into independent corporate entities. This legislation repealed the Ceylon Electricity Board Act No. 17 of 1969 and was designed to secure financial sustainability, improve transparency, and attract private investment. On 9 March 2026, Electricity Distribution Lanka (Private) Limited was formally established, inheriting the distribution network, physical assets, liabilities, and consumer base of the former CEB. These reforms form an integral component of Sri Lanka's broader public sector restructuring programme under the country's economic recovery strategy and International Monetary Fund (IMF)-supported structural reforms, which emphasize commercially viable state-owned enterprises, cost-reflective pricing, improved corporate governance, and enhanced fiscal discipline.

Coinciding with this period of profound institutional change, the Institute of Certified Management Accountants of Sri Lanka launched nineteen Cost Accounting Standards of Sri Lanka on 15 May 2026, effective from 1 July 2026. These standards, adapted from the Indian Cost Accounting Standards with permission from the Institute of Cost Accountants of India, provide a comprehensive framework for the measurement, classification, assignment, and presentation of cost-related information. This article argues that the adoption of CASSL is not merely a compliance obligation but a strategic imperative for EDL, providing a management accounting perspective on how standardized cost practices can help navigate the crisis of public confidence, establish financial stability, and drive sustainable growth in the post-unbundling era.

Literature Review

Evolution of cost accounting standards

The evolution of Cost Accounting Standards (CAS) has been driven by the increasing need for consistency, transparency, and comparability in cost information to support managerial decision-making and corporate governance. While traditional cost accounting primarily focused on determining product costs for inventory valuation and pricing, the growing complexity of modern business operations, globalization, and regulatory requirements necessitated the development of standardized costing principles. Cost Accounting Standards now provide a systematic framework for the identification, measurement, allocation, and reporting of costs, thereby enhancing the reliability of cost information used for planning, budgeting, performance evaluation, pricing, and strategic decision-making.

In Sri Lanka, the introduction of Cost Accounting Standards by the Institute of Certified Management Accountants of Sri Lanka (CMA *Sri Lanka)* in 2025 represents a significant advancement in the country's management accounting profession. The standards establish uniform methodologies for cost measurement and reporting across industries, promoting greater financial discipline, operational efficiency, and accountability. Their adoption is particularly relevant for sectors such as electricity distribution, where accurate cost information is essential for cost control, tariff determination, resource allocation, regulatory compliance, and long-term financial sustainability. As Sri Lanka continues its economic reforms, the implementation of Cost Accounting Standards is expected to strengthen organizational competitiveness while aligning local management accounting practices with internationally recognized best practices.

The Indian experience: A model for Sri Lanka

The Institute of Cost Accountants of India (ICMAI) has developed a comprehensive system comprising twenty-four Cost Accounting Standards supported by a well-defined regulatory framework. The progressive development of Cost Accounting Standards in India has played an important role in promoting standardization and improving the effectiveness of cost reporting across industries. CMA *Sri Lanka,* through its ongoing professional engagement and collaboration, initiated the development of CASSL by drawing upon the Cost Accounting Standards issued by ICMAI and adapting them to suit domestic business practices and regulatory requirements. As noted by the mandatory compliance in the application of these standards in the Indian public and corporate sectors has significantly contributed to the economic well-being and prosperity of the nation. The Indian experience demonstrates that standardized cost accounting can drive efficiency, reduce waste, and enhance competitiveness, providing a valuable template for Sri Lanka's reform efforts.

Public utility costing and regulatory frameworks

Public utility costing presents unique challenges due to the natural monopoly characteristics of distribution networks. The Finnish regulatory framework provides a useful reference, whereby Distribution System Operators are subject to performance-based regulation, with reasonable profits compared to 'allowed profit' calculated through a comprehensive adjusted profit calculation incorporating five incentives: investment, efficiency, quality, security of supply, and innovation. In the United States, the Uniform System of Accounts for public utilities, developed under the Public Utility Holding Company Act of 1935, requires service companies to establish work order systems to accumulate reimbursable costs and maintain time records to support the accounting allocation of expenses. These historical precedents underscore the importance of standardized cost accounting for effective utility regulation. Decker's framework on regulatory economics emphasizes that the regulator's objective is to define a reasonable profit to maximize total surplus, recognizing that a utility incurs a production cost and sets while providing the asset owner with a reasonable profit.

Cost transparency and regulatory compliance

Cost transparency is fundamental to effective utility regulation, and the Sri Lankan context demands similar regulatory sophistication. CMA *Sri Lanka* has emphasized that the Cost Accounting Standards of Sri Lanka will be implemented with the backing of regulatory authorities to benefit organizations and society. The Expert Panel and Technical Committee will oversee implementation, working closely with regulatory bodies, including the Public Utilities Commission, Consumer Affairs Authority, Inland Revenue Department, and the Sri Lanka Accounting and Auditing Standards Monitoring Board. The harmonization of cost accounting practices across neighboring countries will further strengthen regional cooperation and facilitate the development of a robust and globally aligned cost and management accounting profession in South Asia, positioning Sri Lanka within a broader regional framework of professional accounting standards.

Electricity Distribution Lanka (Private) Limited

Electricity Distribution Lanka (Private) Limited (EDL) is a state-owned enterprise established on 9 March 2026, following the dissolution and unbundling of the Ceylon Electricity Board. The transition officially took place at midnight on 8 March 2026, with concurrent handovers to sister companies, including Electricity Generation Lanka for power plants and the National Transmission Network Service Provider for the transmission grid. EDL operates as a monopoly in its designated distribution zones, covering most of the island's electricity consumers, apart from specific urban areas managed by the Lanka Electricity Company. The company is regulated by the Public Utilities Commission of Sri Lanka and holds a statutory mandate requiring it to operate as an independent, financially accountable corporate entity, purchasing electricity from the wholesale market managed by the National System Operator and retailing it to end-users.

EDL's operational goals align with the National Energy Policy, which includes the deployment of smart grid technologies, automated demand response systems, and the gradual conversion of overhead bare aluminum conductors to insulated Aerial Bundled Conductors or underground cables in urban areas. The company's primary revenue is derived from end-user electricity tariffs approved by PUCSL, with a complex tariff structure encompassing multiple user categories, including domestic consumers with progressive consumption tiers, industrial, commercial, government, religious, agricultural, and electric vehicle charging categories.

Key cost drivers include technical and commercial losses in the distribution network, maintenance and repair costs for ageing infrastructure, energy purchase cost, depreciation of network assets, and administrative overheads. The CEB's operational and financial performance over its 56-year history was characterized by failure to adjust tariffs in line with operational costs. Such factors impairing its ability to finance operations effectively and necessitated the current restructuring.

Cost challenges facing EDL

The broader economic context presents significant cost challenges for EDL. Sri Lanka continues to grapple with high inflation, a depreciating currency, and foreign debt at historic lows, factors that directly impact EDL's cost structure through increased input costs and the need for tariff adjustments to maintain financial sustainability. The significant depreciation of the Sri Lankan Rupee increases the cost of imported equipment, spares, and fuel for power generation, indirectly affecting wholesale power purchase costs and creating volatility in EDL's cost base that complicates financial planning. Technical and commercial losses in distribution require significant investment in smart grid technologies, advanced metering infrastructure, and network optimization to address these losses. EDL faces significant capital expenditure requirements to upgrade the distribution network, reduce losses, and improve service reliability, though the return on these investments must be justified through a transparent cost-benefit analysis.

Asset utilization remains a critical concern, with capacity determination and normal capacity calculation essential for proper cost allocation. The company faces intensifying regulatory pressure from PUCSL, which must approve tariffs based on transparent cost structures. The regulator's objective is to ensure that pricing is reasonable and reflects the actual cost of service delivery, requiring EDL to develop robust cost accounting systems that can withstand regulatory scrutiny. The Public Utilities Commission of Sri Lanka has emphasized the importance of cost-reflective tariffs and the need for transparent cost structures to support tariff decisions. Without accurate costing information, EDL cannot effectively negotiate tariff adjustments or justify its operational costs to regulators and the public.

Understanding the new cost accounting standards (CASSL)

The CASSL framework: structure and purpose

The Cost Accounting Standards of Sri Lanka (CASSL) represent a comprehensive framework comprising nineteen standards covering the full spectrum of cost measurement and management. The standards are built on a conceptual foundation comprising six cornerstones: focus on cost drivers of value, cost for a purpose, reality-driven cost models, materiality and cost effectiveness, comparability and consistency, and transparency and auditability. These cornerstones stipulate the norms and values running through the standards like a common thread, serving as a search-light to understand the Generally Accepted Cost Accounting Principles and CASSL in the correct perspective while offering guidance for their refinement and extension.

Like the Generally Accepted Accounting Principles issued under International Financial Reporting Standards, a framework of Generally Accepted Cost Accounting Principles framework has been issued for cost accountants. The former is intended for the benefit of a company's external stake-holders, while the latter is designed to guide internal management in decisions relating to pricing, budgeting, and efficiency. These principles are to be adopted voluntarily for segmented areas such as products, projects, processes, and activities, with a dual time orientation involving historical performance covering the first period as well as future developments involving the second period. The goal of these accounting principles is to ensure cost control, waste reduction, and accurate pricing. The framers of Sri Lanka's Cost Accounting Standards have used the GACAP issued by the Institute of Cost Accountants of India, the partner organization of the Cost and Management Accounting Standards Board of Sri Lanka.

Key standards relevant to EDL

CASSL 1 on Classification of Cost establishes principles for classifying costs by nature and purpose, making it foundational for EDL's cost accounting system. The classification of costs into direct and indirect categories allows EDL to identify which costs are directly attributable to specific distribution zones, customer segments, or services, and to distinguish between fixed and variable costs, enabling a better understanding of cost behavior. EDL can classify its costs to isolate the true cost of serving different consumer categories, including domestic, commercial, and industrial consumers, supporting more equitable tariff design.

CASSL 2 on Capacity Determination provides principles for determining installed capacity, practical capacity, normal capacity, and actual capacity utilization. For EDL, this standard addresses a critical gap in understanding and managing distribution network capacity by requiring the determination of capacity in terms of units of service or equivalent measures, consideration of bottlenecks in capacity assessment, and treatment of under-utilized capacity costs. Capacity determination enables EDL to quantify distribution network losses and distinguish between normal losses absorbed in cost and abnormal losses treated separately, supporting loss reduction initiatives.

CASSL 3 on Production and Operation Overheads establishes principles for measuring and assigning production and operation overheads. For EDL, this standard is critical in addressing the bloated cost structures inherited from the CEB. Key provisions include absorption of fixed overheads based on normal capacity or actual capacity utilization, whichever is higher, exclusion of abnormal costs from overheads, and assignment based on cause and effect or benefits received principle. By requiring that fixed overheads be absorbed based on normal capacity, CASSL 3 ensures that the cost of idle capacity is not passed on to consumers, creating a powerful incentive for EDL to improve capacity utilization.

CASSL 6 on Material Cost establishes principles for determining material cost, including raw materials, process materials, components, sub-assemblies, consumable stores, and spares. Key provisions include valuation of material receipts at purchase price, including duties, taxes, and direct procurement costs, net of trade discounts and refundable taxes, valuation of issues using appropriate assumptions on cost flows, and exclusion of abnormal costs, penalties, and demurrage charges from material cost. For EDL, this standard ensures consistent valuation and assignment of the significant inventory of spares and consumables required for network maintenance.

CASSL 7 on Employee Cost establishes principles for determining employee cost, including benefits paid or payable for services rendered by employees. For EDL, this standard addresses the largest and most politically sensitive cost element. Key provisions include employee cost comprising all allowances, benefits, and contractual payments, amortization of separation costs over the period benefiting from such costs, exclusion of abnormal costs, penalties, and imputed costs, and assignment based on time consumed, number of employees engaged, or a suitable basis, such as time and motion studies. While CASSL 7 cannot resolve political commitments to preserve employee privileges, it provides a framework for transparent measurement and assignment of employee costs, essential for justifying tariff adjustments through verifiable cost data.

CASSL 8 on Cost of Utilities provides principles for measuring the cost of utilities, including power, steam, water, and compressed air. For EDL, this standard is directly applicable to the cost of power purchased from the wholesale market. Key provisions include measurement of purchased utility cost at invoice value, including duties, taxes, and transportation, cost of self-generated utilities, including direct material, direct employee cost, direct expenses, and factory overheads, assignment based on usage parameters and traceability, and exclusion of finance costs and imputed costs. CASSL 8 ensures that EDL's cost of power purchase is measured consistently and transparently, crucial given the legacy Power Purchase Agreements that have historically burdened the sector with high costs.

CASSL 11 on Administrative Overheads establishes principles for determining administrative overheads, addressing the cost of general management and administration. Key provisions include administrative overheads excluding production overheads, marketing overheads, interest and finance charges, cost of software amortized over its estimated useful life; and assignment based on cause and effect or benefits received principle.

CASSL 12 on Repairs and Maintenance Cost establishes principles for determining repairs and maintenance costs, addressing the significant cost of maintaining the distribution network. Key provisions include repairs and maintenance cost as the aggregate of direct and indirect costs; measurement for each major asset category; amortization of major overhaul costs on a rational basis; and exclusion of abnormal costs, penalties, and demurrage charges.

CASSL 13 on Cost-of-Service Cost Centre establishes principles for determining the cost-of-service cost addressing the cost of support functions such as engineering, workshop, quality control, laboratory, security, and transport. Key provisions include each identifiable service cost center treated as a distinct cost object; cost including direct and indirect costs attributable to services rendered; assignment based on usage parameters that are equitable, reasonable, and consistent; and exclusion of finance costs and imputed costs. CASSL 13 enables EDL to accurately cost its support functions and allocate them appropriately to operating cost centres.

CASSL 16 on Depreciation and Amortization establishes principles for measuring depreciation and amortization, addressing the accounting treatment of EDL's extensive distribution network assets. Key provisions include depreciation based on useful life and depreciable amounts, exclusion of impairment losses from cost, assignment based on the benefits received principle; and depreciation of assets available for use beginning when location and condition necessary for operation. CASSL 16 ensures that EDL's substantial investment in distribution assets is depreciated systematically and consistently.

CASSL 17 on Interest and Financing Charges provides guidance on measuring and assigning interest and financing charges, addressing a critical cost element for this capital-intensive utility with significant debt. Key provisions include identification of interest for qualifying assets and other finance costs, assignment based on cause and effect or benefits received principle, and exclusion of penal interest and imputed costs.

CASSL 21 on Quality Control establishes principles for measuring quality control costs, addressing costs related to ensuring quality of service delivery. Key provisions include quality control cost as the aggregate of cost of resources consumed in quality control activities; identification based on traceability in an economically feasible manner; and exclusion of abnormal costs, penalties, and imputed costs. CASSL 21 enables EDL to measure and manage the costs of ensuring service quality, including compliance with reliability and safety standards.

CASSL 22 on Manufacturing Cost establishes principles for determining manufacturing cost, providing principles applicable to manufacturing activities such as workshop fabrication, asset refurbishment, and equipment manufacturing. Key provisions include manufacturing cost as the aggregate of costs of all resources used in manufacturing; separate measurements for each type of good; and absorption of fixed overheads based on normal capacity or actual capacity utilization, whichever is higher.

Why EDL should adopt CASSL?

One of the most compelling reasons for EDL to adopt CASSL is the need for better tariff justification. CMA Sri Lanka has emphasized that standardized cost information in a standardized format will enable the government to understand what policy the government should adopt to support a particular industry, how the entire tariff system can be developed, what subsidies should be provided to certain industries, and what type of protection industries need, if any. For EDL, CASSL compliance will provide the transparent cost data needed to justify tariff adjustments to PUCSL and the public, supporting equitable tariff design and regulatory compliance. CASSL enables accurate feeder-level costing, allowing EDL to identify the true cost of serving different geographic areas, essential information for equitable tariff design, identifying cross-subsidies, and targeting investment in high-cost or high-loss areas.

CASSL provides a framework for establishing and operating cost centers across EDL's operations, with the standard's definition of a cost center as any unit of an entity selected with a view to accumulating all cost under that unit enabling EDL to create cost centers aligned with its organizational structure, including distribution zones, maintenance regions, administrative departments, and support service functions. The standards enable EDL to accurately cost the operation and maintenance of individual assets, including transformers, feeders, and substations, supporting informed maintenance decisions, asset replacement planning, performance benchmarking, and risk-based asset management. Costing by distribution region provides valuable insights into regional cost variations, supporting equitable tariff design, performance benchmarking across regions, targeted investment in high-cost areas, and regional accountability.

CASSL provides a rigorous framework for capital budgeting, enabling EDL to evaluate investment proposals using standardized cost data and supporting identification of capital costs, depreciation and amortization calculations, life-cycle cost analysis, and return on investment evaluation. The standards provide the foundation for Activity-Based Costing, enabling EDL to assign costs to products and services based on activities consumed. The principles of traceability and cause-and-effect assignment are central to CASSL and support customer profitability analysis, service costing, process improvement, and cost driver identification. CASSL provides a framework for comprehensive asset management, enabling EDL to optimize the total cost of asset ownership through repairs and maintenance costing, depreciation calculations, asset replacement analysis, and life-cycle cost management.

CASSL enables EDL to benchmark its costs against other utilities and against its own historical performance, with consistency and comparability being fundamental principles of the framework, making benchmarking a key benefit. The standards enable sophisticated loss analysis, distinguishing between normal and abnormal losses, with abnormal costs excluded from cost and treated separately, enabling precise identification of cost drivers and improvement opportunities. CASSL compliance positions EDL to meet the rigorous reporting requirements of regulatory bodies including PUCSL, the Ministry of Energy, and the Treasury. CMA Sri Lanka has emphasized that the Expert Panel and Technical Committee will work closely with regulatory bodies.

CASSL provides a framework for Environmental, Social, and Governance reporting, including the recently introduced CASSL 14 on Pollution Control Cost. This standard provides principles and methods for the classification, measurement, and assignment of pollution control costs. ESG reporting, increasingly demanded by stakeholders, is facilitated by CASSL compliance.

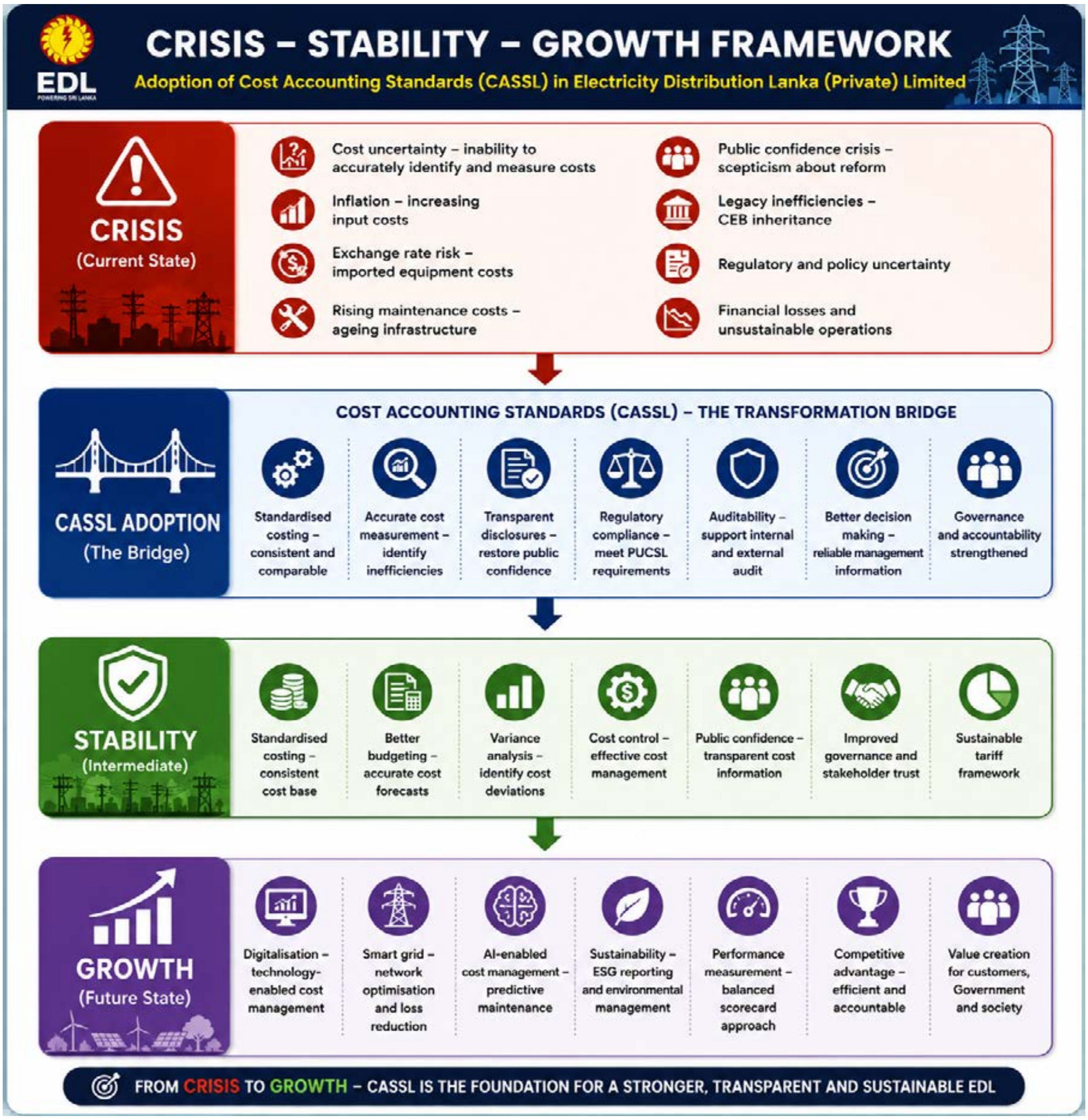
Finally, CASSL provides a framework for effective internal audit of cost accounting practices, with the standards requiring transparency, auditability, and comprehensive disclosure, enabling internal auditors to verify the accuracy and completeness of cost information.

Crisis, stability and growth – A management accounting lens

EDL faces interconnected structural, operational, and financial challenges that require a robust management accounting approach rather than administrative restructuring alone. Costing practices inherited from the former Ceylon Electricity Board (CEB) have limited the organization's ability to accurately identify, allocate, and control distribution costs. These are exacerbated by inflation, exchange rate depreciation, rising maintenance costs, and ageing network infrastructure, which continue to increase operating expenditure and place pressure on financial sustainability. Moreover, public confidence in electricity sector reforms depends not only on institutional restructuring but also on improved transparency, accountability, and evidence-based decision-making.

The Cost Accounting Standards of Sri Lanka (CASSL) introduced by CMA Sri Lanka provide a structured framework for strengthening financial stability through standardized cost identification, classification, allocation, measurement, and reporting. Reliable cost information enables realistic budgeting, effective financial forecasting, robust tariff analysis, systematic variance analysis, and improved cost control. By establishing consistent costing methodologies, CASSL enhances governance, regulatory compliance, resource utilization and managerial accountability while supporting informed strategic decisions.

Beyond improving financial discipline, CASSL creates a foundation for long-term organizational growth and digital transformation. Standardized cost information supports investment appraisal for smart grids, Advanced Metering Infrastructure (AMI), Geographic Information Systems (GIS), distribution automation, predictive asset management, and emerging technologies such as artificial intelligence and machine learning. It also strengthens Environmental, Social and Governance (ESG) reporting and facilitates modern performance management through Key Performance Indicators (KPIs), benchmarking, the Balanced Scorecard, and value-based management.



Proposed roadmap for EDL

The transition from the CEB's legacy costing systems to CASSL compliance requires a structured implementation approach. Drawing on the planning and execution phases outlined in the CASSL compendium, a five-phase model is proposed.

Phase 1: Gap assessment focuses on evaluating EDL's existing cost accounting systems, processes, and records against CASSL requirements. This phase identifies compliance gaps, assesses data quality, system capabilities, and staff competency, and culminates in a comprehensive gap analysis report, implementation roadmap, and resource plan.

Phase 2: Policy development establishes a standardized cost accounting framework. Key activities include developing costing policies, defining cost elements and cost centres, selecting appropriate cost allocation methods, aligning the chart of accounts with CASSL requirements, and designing standard templates for data capture, cost statements, and reconciliations. The primary outputs are a Cost Accounting Policy Manual, revised Chart of Accounts, and standardized reporting formats.

Phase 3: ERP integration integrates CASSL requirements into EDL's ERP and information systems. This phase includes designing automated cost flows, integrating financial and operational data, defining responsibilities and accountability, and implementing data validation controls to ensure completeness, accuracy, and reliability. Deliverables include system specifications, an integrated cost accounting module, and successful user acceptance testing.

Phase 4: Pilot implementation tests the new framework in a selected distribution region. Activities include collecting and validating cost data, assigning direct and indirect costs, preparing cost statements and reconciliation schedules, evaluating operational effectiveness, and refining the methodology based on lessons learned before organization-wide deployment.

Phase 5: Full implementation and continuous Improvement focus on expanding CASSL compliance across all distribution regions while embedding continuous improvement practices. The focus shifts to maintaining audit-ready cost records, periodic system reviews, updating cost drivers and allocation methods, strengthening staff engagement, and using cost information for strategic decision-making, budgeting, benchmarking, and performance evaluation. This phase ensures sustained compliance, enhanced cost transparency, and a culture of continuous operational excellence.

Conclusion

Electricity Distribution Lanka (Private) Limited (EDL) represents a significant institutional transformation resulting from Sri Lanka's electricity sector reforms under the Sri Lanka Electricity (Amendment) Act, No. 14 of 2025. As the successor to the distribution functions of the former Ceylon Electricity Board (CEB), EDL inherits extensive infrastructure together with longstanding operational inefficiencies, weak cost discipline, and persistent financial challenges. While the restructuring seeks to enhance efficiency, transparency, and commercial accountability, achieving these objectives depends on robust governance, effective management systems, and reliable cost information to support evidence-based managerial and regulatory decision-making.

Within this environment, adopting the Cost Accounting Standards of Sri Lanka (CASSL) should be viewed as a strategic management initiative rather than merely a statutory compliance requirement. CASSL provides a standardized framework for identifying, measuring, allocating, and reporting costs across electricity distribution operations. By establishing consistent methodologies for cost classification, capacity utilization, overhead allocation, material and employee costs, purchased power, maintenance, depreciation, and finance costs, the standards improve the accuracy, consistency, and comparability of cost information. This strengthens budgeting, investment appraisal, tariff setting, performance evaluation, and regulatory reporting.

Successful implementation of CASSL will enhance transparency by distinguishing efficiently incurred costs from operational inefficiencies, thereby reinforcing managerial accountability and stakeholder confidence. Standardized costing also enables benchmarking across distribution regions, strengthens regulatory oversight by the Public Utilities Commission of Sri Lanka (PUCSL), and supports informed procurement, asset management, and long-term investment planning. However, these benefits require disciplined implementation supported by integrated digital information systems (ERP), standardized cost centers, skilled personnel, effective internal controls, and continuous performance monitoring. Ultimately, embedding standardized management accounting practices within EDL will strengthen corporate governance, improve operational efficiency and financial sustainability, and provide a credible foundation for transparent tariff regulation, ensuring that Sri Lanka's electricity sector reforms deliver lasting economic and public value.

"The views presented in this article are those of the author and do not necessarily indicate the views of the Electricity Distribution Lanka (Private) Limited."

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Financial Literacy and Financial Wellbeing in Sri Lanka

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Abstract

This article examines the critical relationship between financial literacy and financial wellbeing within the Sri Lankan context. Despite boasting a high general literacy rate of 93%, Sri Lanka's financial literacy remains significantly lower at 58%. This disparity contributes to severe socio-economic challenges, including vulnerability to debt traps, reliance on informal lending and victimization by prohibited pyramid schemes. The study explores demographic variations in financial knowledge, noting specific vulnerabilities among the elderly, rural populations and women. Furthermore, the impact of the 2022 economic crisis on household financial stability is analyzed in conjunction with poor money management skills. Finally, the article reviews ongoing initiatives by the Central Bank of Sri Lanka and other organizations aimed at improving financial education. It concludes that enhancing financial literacy is a foundational prerequisite for achieving long-term financial wellbeing among Sri Lankans.

Introduction

Traditionally, the concept of literacy has been narrowly defined as the ability to read, write and understand written texts. However, in the modern context, literacy takes on a much broader definition. It is now understood as the capacity to effectively use knowledge, language, and communication skills to navigate daily life, solve problems, and participate fully in society.

Financial literacy is a critical component of this broader understanding of human literacy. It is defined as the combination of knowledge, attitudes, and behaviors necessary to make informed financial decisions and achieve overall financial wellbeing. In Sri Lanka, it is vital to review important statistical figures regarding financial literacy before assessing its direct impact on the populace.

Level of financial literacy in Sri Lanka

To understand the current landscape, one must analyze the demographic breakdown of financial knowledge across the country. Table 1 summarizes key statistics regarding financial literacy in Sri Lanka and highlights significant gaps across different segments of the population.

Table 1: Statistics of Financial Literacy in Sri Lanka

Criteria	Financial Literacy Rate	Remarks
Overall	58.0%	Approximately 42% of the population is financially illiterate.
Men	61.1%	Higher financial literacy compared to women.
Women	55.2%	A gender gap of 5.9 percentage points exists between men and women.
Age 18-29	Highest	Demonstrates strong financial knowledge and positive financial behaviour.
Age 60+	Lowest	Exhibits weaker financial behaviour and greater vulnerability.
Urban vs. Rural	Urban is higher	Rural populations are significantly lagging.

Table 1 demonstrates that the overall financial literacy rate in Sri Lanka takes a significantly low value of 58%, especially when compared to the nation's general literacy rate of 93%. While there is a gender gap between men and women, the most pressing issues lie within specific age and geographic demographics. Older adults in Sri Lanka struggle with financial literacy, whereas the younger generation ~~reports~~ demonstrate ~~much~~ stronger financial comprehension. Furthermore, the use of digital financial services among younger groups continues to increase gradually.

Consequently, the low level of financial literacy among Sri Lankans results in a myriad of social and economic challenges. People frequently depend on informal financial sector lenders, making it difficult to make correct decisions about loans, savings, and investments. This leads to a greater vulnerability to debt traps, unmanageable financial stress, low usage of digital financial services, and the risk of widening inequality, particularly among women, rural population, and the elderly.

Financial literacy and financial wellbeing

Defining financial wellbeing is essential before analyzing the impact of financial literacy. Financial wellbeing refers to the state in which an individual can conveniently meet current financial obligations, feel secure about their future financial position, maintain a stress-free relationship with money and have the freedom to make choices to enjoy life. It is important to note that financial wellbeing does not simply mean becoming wealthy.

In the Sri Lankan context, it is highly questionable whether the majority of the population is enjoying financial wellbeing. Due to the economic crisis in 2022 and its lingering effects, hyperinflation caused massive price increases for essential goods and services, including fuel, electricity, gas and water. This macroeconomic instability severely damaged the financial security and wellbeing of countless individuals.

Even though the economic crisis was a sudden catalyst for financial hardship, poor financial literacy remains a hidden, long-term threat to the financial wellbeing of Sri Lankans. For instance, prohibited pyramid schemes have heavily infiltrated rural areas where most households are economically disadvantaged. Financially illiterate individuals are most often the victims of these scams, leading to collapsed household finances and the inability to satisfy basic needs like food and education. Tragically, there have been reports of suicides in Sri Lanka linked directly to unmanageable financial stress.

Financially illiterate individuals lack essential money management skills, including budgeting, saving, debt management, financial planning, and risk awareness. Without these skills, they are unable to plan their income, grow their savings, avoid harmful debt, set long-term goals, or recognize fraudulent schemes. Therefore, their inability to achieve financial wellbeing is heavily rooted in financial illiteracy, compounding the challenges brought on by inflation and macroeconomic instability.

Strategies for improving financial literacy

It is crystal clear that there is an urgent necessity to improve financial literacy rates among Sri Lankans to achieve widespread financial wellbeing. Several programs have already been initiated by various institutions to uplift the national financial literacy rate. Notably, the Sri Lankan government and the Central Bank of Sri Lanka (CBSL) have launched a comprehensive *Financial Literacy Roadmap (2024–2028)* ('Towards a Financially Literate Sri Lanka' Financial Literacy Roadmap of Sri Lanka (2024 -2028), n.d.).

This roadmap includes introducing a national financial literacy curriculum, awareness campaigns, video series on financial challenges and partnerships with international organizations like the United Nations Development Programme (UNDP) and the Japan International Cooperation Agency (JICA). The national curriculum covers six knowledge pillars: economic and financial environment, personal finance, MSME finance, digital literacy, financial consumer protection and tax literacy.

Furthermore, the CBSL conducted a national financial literacy survey in 2021 with a sample of 4,800 households to measure the financial knowledge, attitudes and behaviours of respondents (Central Bank of Sri Lanka, 2021). This initiative helped generate vital statistical data for designing appropriate educational programs. Other organisations, such as the Institute of Bankers of Sri Lanka (IBSL) and the National Entrepreneurship Development Authority (NEDA), have also launched capacity-building programs. Recently, financial literacy has become a compulsory subject in Sri Lanka's new educational reforms, starting from Grade 6, ensuring the next generation is prepared for modern economic challenges.

Conclusion

In conclusion, financial literacy is an undeniable prerequisite for financial wellbeing in Sri Lanka. The current overall literacy rate of 58% leaves a large portion of the population vulnerable to poor financial decision-making, predatory lending, and the devastating impacts of macroeconomic crises. The lack of essential skills in budgeting, debt management, and risk awareness has led to severe social consequences, including widened inequality and extreme financial stress. However, through targeted, data-driven initiatives such as the CBSL's Financial Literacy Roadmap and the integration of financial education into the national school curriculum, Sri Lanka is taking vital steps forward. By continuing to prioritize these educational strategies, the nation can empower its citizens to navigate economic challenges, ultimately transforming financial literacy into lasting financial wellbeing.

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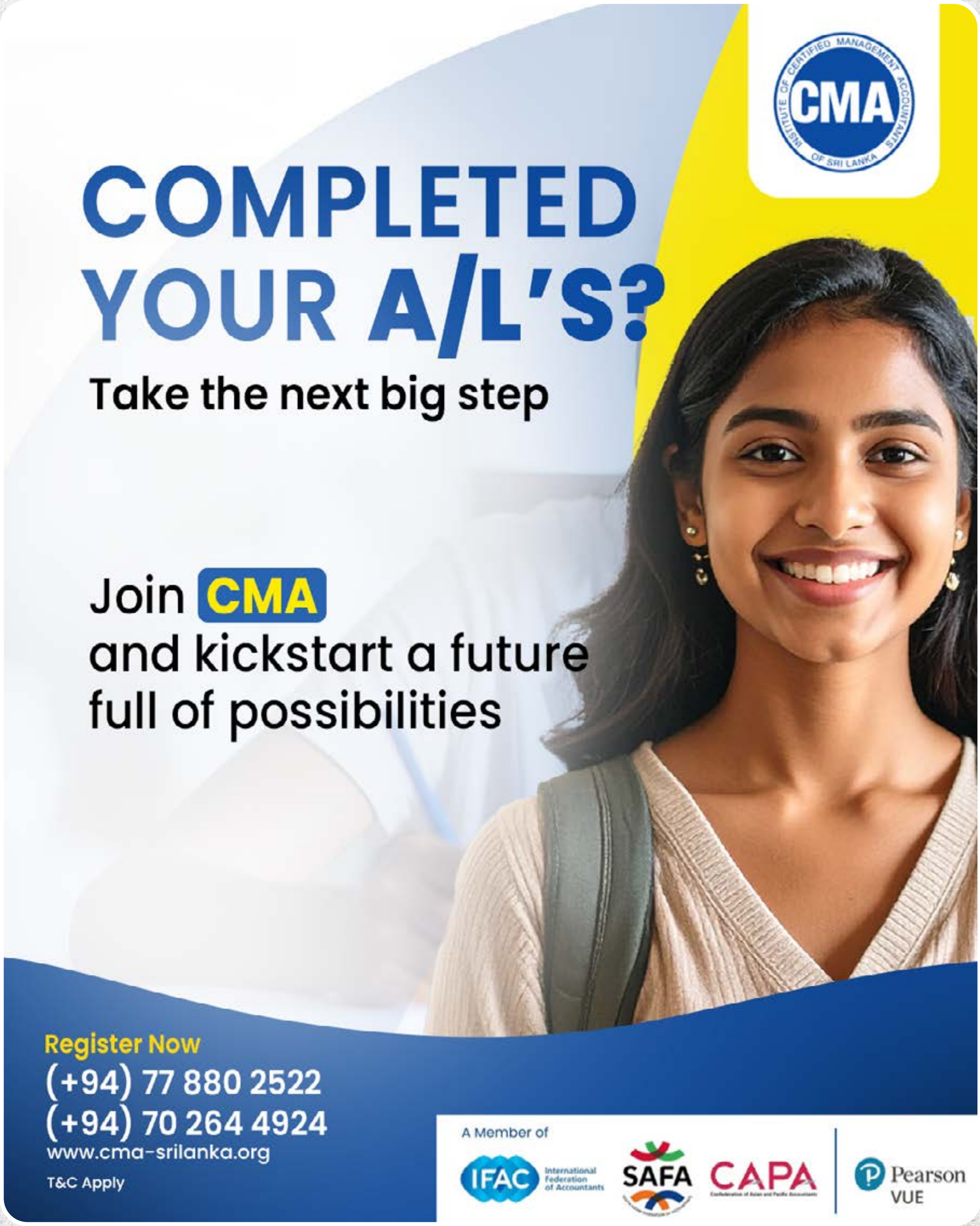

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State-Owned Enterprises and Audit Accountability: The Way Forward

Indrajith Karunarathna

Introduction

During my years of working in the public sector finance domain and interacting with audit processes, some observations have been remarkably unbelievable. Most significant audit findings do not emerge because organizations lack rules, policies or circulars. In fact, Sri Lanka's public sector is governed by an extensive framework of financial regulations, procurement guidelines, treasury circulars, internal controls, and audit requirements. Yet, despite these safeguards, similar observations have continued to appear in audit reports for many years. The effectiveness of an audit function should not be measured solely by the number of findings reported. Rather, it should be measured to the extent to which those findings lead to meaningful organizational improvements.

I have often attended meetings where audit observations were extensively discussed during audit committee meetings, action plans were subsequently proposed, and assurances were given regarding corrective measures. However, when subsequent audit reports were issued, many of the same issues resurfaced. This recurrence was not because the problems were unknown. Rather, it was because the transition from audit observation to management action had failed. That is the primary issue. This experience has led me to believe that the greatest challenge facing Sri Lanka's State-Owned Enterprises (SOEs) is not necessarily the identification of weaknesses but rather the consistent enforcement of accountability.

Audit reports in context

As finance professionals, we sometimes focus excessively on the audit report itself. Yet an audit report is merely the beginning of the accountability process. Its true value lies in the corrective actions that follow. However, we must resist the temptation to view every problem through a political lens. The real challenge lies elsewhere. The fundamental question is whether our SOEs possess governance systems capable of identifying risks early, responding to audit findings promptly, and holding decision-makers accountable for the stewardship of public resources. Enterprise Risk Management (ERM) is one of the most heavily used mechanisms in private sector organizations. But in the public sector, it is doubtful how many public organizations are actively practicing an ERM framework.

This distinction becomes increasingly important at a time when Sri Lanka is undergoing significant economic reforms and renewed scrutiny of public sector institutions. Questions surrounding the performance, governance, and financial sustainability of SOEs have become central to national economic discussions. Institutions such as the Ceylon Electricity Board (CEB), the Ceylon Petroleum Corporation (CPC), and SriLankan Airlines have frequently been at the center of these debates, highlighting the urgent need for stronger governance and accountability mechanisms.

The challenge before us is, therefore, not simply how to conduct better audits. The challenge is to build institutions that respond effectively to audit findings and transform them into measurable improvements.

The changing landscape of public sector accountability

The concept of public sector accountability in Sri Lanka has evolved significantly over the past decade. The enactment of the National Audit Act No. 19 of 2018 represented a major milestone in strengthening public financial oversight. The Act expanded the powers of the Auditor General and reinforced the importance of performance auditing, enabling greater scrutiny not only of financial transactions but also of economy, efficiency, and effectiveness in the use of public resources.

A review of public audit reports over the years reveals recurring concerns relating to procurement processes, contract management, inventory controls, revenue leakages, project delays, unreconciled balances, and weaknesses in asset management.

Historically, audits in the public sector were often viewed primarily as compliance exercises. The focus was on determining whether regulations had been followed and whether expenditures had been properly authorized.

Today, expectations are considerably higher. Let's take the recent irregularities we experienced in the procurement process of coal shipments. The coal procurements in Sri Lanka are handled by the Lanka Coal Company (Pvt) Ltd. We have witnessed some problems in the coal procurement process, and the Auditor General of Sri Lanka has subsequently conducted a comprehensive audit on it and issued the audit report to the parliament. That Audit Report was later challenged by many politicians claiming that the findings could not be accepted.

As a result, the President has established a Special Presidential Commission of Inquiry to probe alleged corruption and financial irregularities regarding coal imports and electricity generation in Sri Lanka.

These incidents compel us to raise the following questions.

- Were public resources utilized efficiently?
- Were intended objectives achieved?
- Were risks appropriately managed?
- Were management decisions supported by adequate governance structures?

The Auditor General therefore plays a critical role not merely as an external reviewer but as a vital guardian of public accountability. However, even the strongest audit institution cannot single-handedly ensure good governance. Responsibility ultimately rests with boards, executive management, audit committees, finance professionals, and policymakers who must act upon audit findings.

As someone who has observed the public sector environment over many years, I believe that the discourse should move beyond assigning blame and focus instead on strengthening audit accountability as a mechanism for improving governance. The future of SOEs depends not merely on identifying weaknesses after they occur, but on creating an environment where transparency, responsibility, and corrective action become institutional habits rather than periodic responses to audit findings.

In numerous audit reports, the same issues appear year after year such as weak internal controls, delays in reconciliations, procurement irregularities, inadequate asset management, weak contract monitoring, non-compliance with regulations and delayed financial reporting.

I have observed situations where audit findings were accepted by management in principle but remained unresolved for years because no single individual was assigned ownership of the corrective action. In other cases, officials who initially handled a matter had been transferred, retired, or promoted, leaving the issue unresolved and accountability diluted.

Why SOEs are different

Unlike private sector organizations, SOEs operate under multiple and often competing objectives. A private company can focus primarily on profitability and shareholder returns. State-Owned Enterprises must simultaneously pursue financial sustainability, economic development, public service obligations, employment generation, and social welfare objectives.

Take the Ceylon Electricity Board as an example. The organization must ensure uninterrupted electricity supply while managing volatile fuel costs, infrastructure investments, renewable energy commitments, and affordability concerns. Commercial considerations must frequently be balanced against broader national interests. Given these challenges, audit observations concerning project management, procurement practices, contract administration, or financial sustainability should not automatically be interpreted as evidence of failure. Rather, they should be viewed as indicators requiring management attention and corrective action. The challenges experienced by the CEB over the years illustrate why accountability must extend beyond financial reporting.

Public discussions often focus on tariff revisions, operational costs, or financial performance. However, from an audit perspective, equally important questions arise regarding project governance, procurement management, contract administration, and long-term planning. What auditors frequently reveal in such environments is not necessarily evidence of misconduct, but evidence of governance weaknesses that require attention.

Similarly, the operational environment of the Ceylon Petroleum Corporation presents another dimension of audit complexity. It operates within a highly volatile global environment where international oil prices, exchange rates, geopolitical developments, and supply chain disruptions can significantly influence operational outcomes. For instance, inventory management, procurement controls, hedging decisions, supplier relationships, and pricing mechanisms all require strong governance frameworks. Global oil price movements can alter financial outcomes within weeks. Exchange rate fluctuations can significantly affect procurement costs.

In my view, one of the most important lessons from CPC's experience is that organizations operating in volatile environments require stronger control systems and robust governance framework.

SriLankan Airlines faces a different set of challenges. It operates in one of the world's most competitive industries while simultaneously meeting expectations associated with being a national carrier. The experience of SriLankan Airlines demonstrates why strong board oversight and effective audit mechanisms are essential. Large-scale decisions often produce consequences that extend well beyond a single financial year. Therefore, governance structures must ensure that strategic decisions are supported by rigorous analysis, documented justifications, effective risk assessments, and transparent reporting. Discussions surrounding the airline have often focused on financial losses. However, the broader governance lessons are equally significant.

Moreover, the SriLankan Airlines experience serves as a reminder that governance failures rarely emerge suddenly. Hence, the challenge for auditors is not simply to verify compliance with procedures. It is also to assess whether governance systems are capable of supporting informed decision-making. These realities do not excuse governance weaknesses. Rather, they reinforce the need for stronger accountability frameworks that can truly protect the public interest.

IMF reforms and SOEs

Sri Lanka's recent economic crisis has accelerated discussions regarding SOE reform. The reform agenda supported by the International Monetary Fund (IMF) has placed considerable emphasis on strengthening governance, improving transparency, reducing fiscal risks, and enhancing operational efficiency within SOEs.

Although public discussions often focus on restructuring or cost reductions, the success of any reform initiative ultimately depends on accountability. It's important to understand that financial sustainability cannot be achieved solely through policy changes. It requires reliable financial information, effective risk management, transparent decision-making, and timely corrective action.

Weak governance within major SOEs can create significant fiscal risks for the entire country. Conversely, strong governance contributes to economic stability, investor confidence, and sustainable public finances.

Audit committees and finance professionals

In many organizations, audit accountability is viewed as the responsibility of auditors. This is a misconception. Audit accountability is a collective responsibility, and finance professionals occupy a pivotal position within that framework. Finance officers are often the first to identify emerging risks, unusual transactions, control weaknesses, and operational inefficiencies. Their role extends far beyond bookkeeping and financial reporting.

They serve as custodians of financial integrity. Similarly, audit committees function as a critical bridge between auditors, management, and governing boards. Audit Committees should view audit findings not as criticisms but as opportunities for improvement. Boards focus not merely on reviewing reports but on monitoring implementation whilst internal auditors function as strategic assurance providers rather than fault-finding inspectors.

An effective audit committee does not merely review reports. When audit committees operate effectively, they transform audit reports from historical documents into instruments of organizational improvement. In this regard, finance professionals and audit committee members are not simply participants in the accountability process. They are agents of accountability.

The way forward

Indeed, Sri Lanka's SOEs remain vital national institutions. They provide essential services, support economic development, create employment opportunities, and contribute significantly to national infrastructure. If Sri Lanka's SOEs are to achieve sustainable success, accountability must become embedded within institutional culture rather than treated as a periodic requirement.

To achieve audit accountability targets, SOEs must have**:**

- Stronger implementation monitoring of audit recommendations.
- Greater accountability for boards and senior management.
- Enhanced independence and capacity of internal audit functions.
- Increased use of data analytics and continuous auditing techniques.
- Stronger governance over major procurement and investment decisions.

Most importantly, organizations must develop a culture where audit findings are viewed not as criticisms to be defended against, but as opportunities for improvement.

Conclusion

The debate surrounding SOEs often focuses on financial losses, inefficiencies, or governance failures. While these concerns are legitimate, they should not overshadow the broader objective of building institutions that serve the public interest effectively.

The future of audit accountability in Sri Lanka's State-Owned Enterprises will not be determined by the number of audit observations reported each year. Nor will it be determined by the volume of regulations, circulars, or compliance requirements imposed upon institutions. Auditing is one of the most powerful instruments available for strengthening governance. Yet audits alone cannot transform organizations. True accountability emerges when audit findings lead to action, when management accepts ownership of risks, when boards demand results, and when organizations cultivate a culture of transparency and responsibility. The National Audit Act has strengthened the framework for public accountability. The Auditor General continues to play an indispensable role in safeguarding public resources. The IMF reform programme has reinforced the urgency of improving governance within SOEs.

The experiences of the Ceylon Electricity Board, the Ceylon Petroleum Corporation, and SriLankan Airlines remind us that governance failures rarely occur because risks were invisible.

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In Memoriam

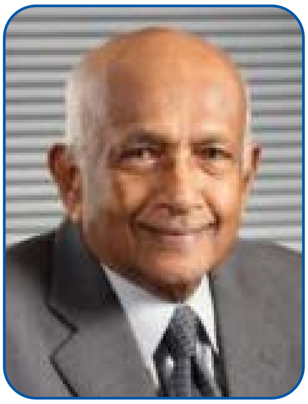
It is with profound sadness that CMA *Sri Lanka* honors the memory of three giants of the Sri Lankan Accounting profession who served the Institute in numerous capacities.

Fred H Puvimanasinghe,
FCA, FCMA

Fred H Puvimanasinghe was an eminent corporate leader, mentor, and senior partner at Puvimanasinghe and Co. Over a distinguished 40-year public practice career, he served on the Public Service Commission and chaired numerous prominent corporate boards. He was deeply committed to accounting education and teaching for over three decades. As a visionary pillar of the Sri Lankan accounting landscape, he was a Founder Council Member of the CMA *Sri Lanka* (and its predecessor SCMA *Sri Lanka* set up in 1999).

S Esmond Satarasinghe, *FCA, BSc, FSCMA*

Esmond Satarasinghe was a corporate giant and financial advisor. He made history as the first Sri Lankan elevated to Chairman and Managing Director of Brooke Bond Ceylon Ltd. Beyond his private sector leadership, he served on the many corporate/ statutory boards including Bank of Ceylon and the Sri Lanka Tea Board. Mr. Satarasinghe was a Founder Council Member of SCMA *Sri Lanka* leading to the establishment of CMA Sri Lanka in 2009. Up to his demise his wise counsel was sought by the Institute.



James Selvanathan Mather
FCA

James Selvanathan Mather was a legendary figure in public practice accounting, dedicating over 50 years to Ernst & Young (formerly Turquand Youngs) where he retired as Senior Partner. Known for his strict adherence to ethics and professional standards, Mr. Mather served as a Commissioner for the Public Utilities Commission, among many other corporate and statutory positions that he held with distinction. Mr. Mather was also closely associated with CMA *Sri Lanka* in its numerous activities from its inception.

CMA *Sri Lanka*

NEWS

CONTINUING PROFESSIONAL DEVELOPMENT (CPD) ACTIVITIES

The primary function of the Business School of CMA Sri Lanka is to organize programmes that would enhance continuing professional development of its members. During the year (2025), the CMA successfully delivered a structured Continuing Professional Development (CPD) programme comprising ten virtual webinars, offered free of charge to CMA *Sri Lanka* members, students, and non-members. These programmes collectively provided 16 CPD hours and covered a diverse range of timely and professionally relevant topics including taxation, budgeting, artificial intelligence, cyber security, international trade, cost accounting standards, and economic developments. The webinar series attracted strong participation, with a total of 3,963 participants, including CMA members, students, and non-members, reflecting the wide reach and value of the CPD initiatives in enhancing professional knowledge and competencies. The CPD Programmes conducted during 2025 are given below.

- Impact of Proposed Tax Changes - Personal Tax & Withholding Tax
- CMA *Sri Lanka* Budget Highlights 2025 -Impact on Business, Economy and Society
- International Women's Day 2025 -For All Women and Girls: Rights. Equality. Empowerment
- AI Applications in Finance
- Impact of USA Tariffs of 44% on Sri Lankan Exports and Economy
- Future-Ready CMA: Leveraging AI for a Competitive Advantage
- Workshop on Cost Accounting Standards
- Cyber Security Workshop for MSMEs
- Budget Highlights 2026 - Budget and Taxation Proposals and Impact on Economy, Business and Society
- Budget & Tax Proposals 2026 and Impact of Severe Natural Disaster on the Economy and SMEs.

The same trend continued during the first half of 2026 with an exciting programme set for the remaining months of the year.

NATIONAL COST & MANAGEMENT ACCOUNTING EXCELLENCE AWARDS

The Institute of Certified Management Accountants of Sri Lanka (CMA Sri Lanka) successfully conducted the official launch of the National Cost & Management Accounting Excellence Awards – 2026 on Tuesday 16th June 2026 at the Anthurium Ballroom, Taj Samudra Hotel, Colombo. The event brought together senior corporate executives, finance and accounting professionals, industry leaders, and representatives from organizations interested in showcasing excellence in cost and management accounting practices.

Through the National Cost & Management Accounting Excellence Awards CMA Sri Lanka continues its mission of promoting excellence, innovation, and professionalism in management accounting while recognizing organizations that demonstrate outstanding performance and best practices in the effective use of cost and management accounting for organizational success

At this event, a comprehensive presentation on the National Cost & Management Accounting Excellence Awards – 2026 was delivered by Mr. Prasantha Abeykoon, NCMEA Expert Technical Committee Member and Chairman of Management Frontiers (Pvt) Ltd. His presentation provided participants with a detailed account of the objectives of the awards programme, award categories, evaluation criteria, eligibility requirements, and the application process.

The panel discussion that followed featured Mr. Tyrell Roche, Mr. Prasantha Abeykoon, Dr. Mangala Fonseka, and Mr. HM Hennayake Bandara, Vice President, CMA *Sri Lanka* who clarified participant queries and shared valuable insights on the application process. Thereafter, application packs were distributed to representatives of interested organizations, marking the formal commencement of the application process. The event concluded with dates announced for a practice workshop to facilitate potential applicants.

CMA SRI LANKA LAUNCHES COST ACCOUNTING STANDARDS

The Institute of Certified Management Accountants of Sri Lanka (CMA *Sri Lanka*) marked a significant milestone in the country's professional and economic landscape with the official launch of the *Cost Accounting Standards of Sri Lanka (CASSL)*. Developed in collaboration with the Institute of Cost Accountants of India (ICMA)) this important initiative aims to strengthen cost and management accounting practices across both the public and private sectors, enhancing transparency, efficiency, and strategic decision-making.

The ceremonial launch was held on Tuesday 15th May 2026 at the Crystal Ballroom of the Taj Samudra Hotel, Colombo, from 5.30 p.m. onwards. The event attracted a distinguished gathering of business leaders, financial and management accountants, policymakers, academics, and international representatives, reflecting the national importance of this initiative.

The gala event was graced by Hon. Professor Anil Jayantha Fernando, Minister of Employment and Deputy Minister of Finance and Economic Development (Chief Guest), Mr. Manil Jayasinghe (Special Guest of Honour), CMA Neeraj Doshi, Vice President, ICMAI, and Suresh Rachappa Gunjalli, Central Council Member, ICMAI who addressed the distinguished audience on various aspects of relevance. The official launch of the *Cost Accounting Standards of Sri Lanka* was followed by the ceremonial presentation of copies of the publication to the Guests of Honour. Professor Lakshman R Watawala, President CMA Dr. Mangala Fonseka (Compiler of the publication of Cost Accounting Standards of Sri Lanka), Mr. Tyrell Roche (Chaiman, Expert Panel) also spoke while Mr. HM Hennayake Bandara, Vice President, CMA Sri Lanka proposed the vote of thanks.

The official proceedings were followed by followed by dinner and networking.

CMA SRI LANKA GRADUATION CEREMONY 2025

The Institute of Certified Management Accountants of Sri Lanka (CMA) successfully conducted its Graduation Ceremony 2025, marking a historic milestone as the Institute celebrates 25 years of service to the nation in developing competent, ethical, and globally competitive management accounting professionals. The Graduation Ceremony was held on Friday, 19th December 2025 at the BMICH, Colombo.

The Chief Guest for the occasion was Justice Buwaneka Aluwihare, former judge of the Supreme Court of Sri Lanka and Chairman of Seylan Bank, while the Keynote Address was delivered by Mr. Rajeeva Bandaranaike, Chief Executive Officer of the Colombo Stock Exchange.

At the ceremony, CMA Sri Lanka conferred Fellow and Associate Memberships on 106 professionals, while certificates were awarded to AMA holders, Passed Finalists, and CABM qualification recipients. In addition, prizes were awarded to outstanding students at the November 2024 and May 2025 examinations, with 37 prize winners recognized for academic excellence. The prestigious Founder President Prof. Lakshman R Watawala Gold Medal for the most outstanding performance at the Final Examinations was awarded to Ms. MZF Afra.

Over the past 25 years, CMA *Sri Lanka* has made a significant contribution to national capacity building through student development, professional grooming, and continuous skills enhancement, aligning management accounting education with global requirements. Through progressive curricula, practical training, continuing professional development, and strong industry linkages, CMA continues to produce professionals who contribute meaningfully to organizational performance, governance, and sustainable economic development in Sri Lanka and beyond.

11TH CMA *Sri Lanka* EXCELLENCE IN INTEGRATED REPORTING AWARDS, 2025

The Institute of Certified Management Accountants of Sri Lanka (CMA) together with its Strategic Partner Colombo Stock Exchange successfully hosted the 11th Annual CMA Excellence in Integrated Reporting Awards 2025 on Monday, 17th November 2025, at The Forum. Hotel Cinnamon Life,

The event celebrated outstanding achievements in corporate reporting and recognized organizations that have demonstrated leadership in transparency, accountability, and sustainable value creation beneficial to all stakeholders including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy makers.

The event was graced by Hon Prof Anil Jayantha Fernando, Minister of Employment and Deputy Minister of Finance and Economic Development (Chief Guest), Jean Bouquot, President International Federation of Accountants (Guest of Honour), Professor Mervyn King, former supreme court judge of South Africa (Special Guest of Honour), Professor Ho Yew Kee, Keynote Speaker and Chairman, Panel of Judges Rajeeva Bandaranayake CEO Colombo Stock Exchange (Guest of Honour) together With Professor Lakshman R Watawala President CMA and Chairman CMA Excellence in Integrated Reporting Awards 2025.

Awards were presented across multiple categories of Certificates of Compliance, Merit Awards, Sector Awards, Special Awards, and the Ten Best Integrated Reports. The overall winner (Gold) was won jointly by Softlogic Life Insurance PLC and Talawakelle Tea Estates PLC while overall winner (Diamond) went to Diesel & Motor Engineering PLC. It was momentous moment for winners of all categories.

Through the recognition of outstanding Integrated Reports by quoted companies, CMA reaffirms its commitment to fostering excellence, integrated thinking, encouraging innovation, value creation and promoting corporate behaviors that build stakeholder confidence and global competitiveness.

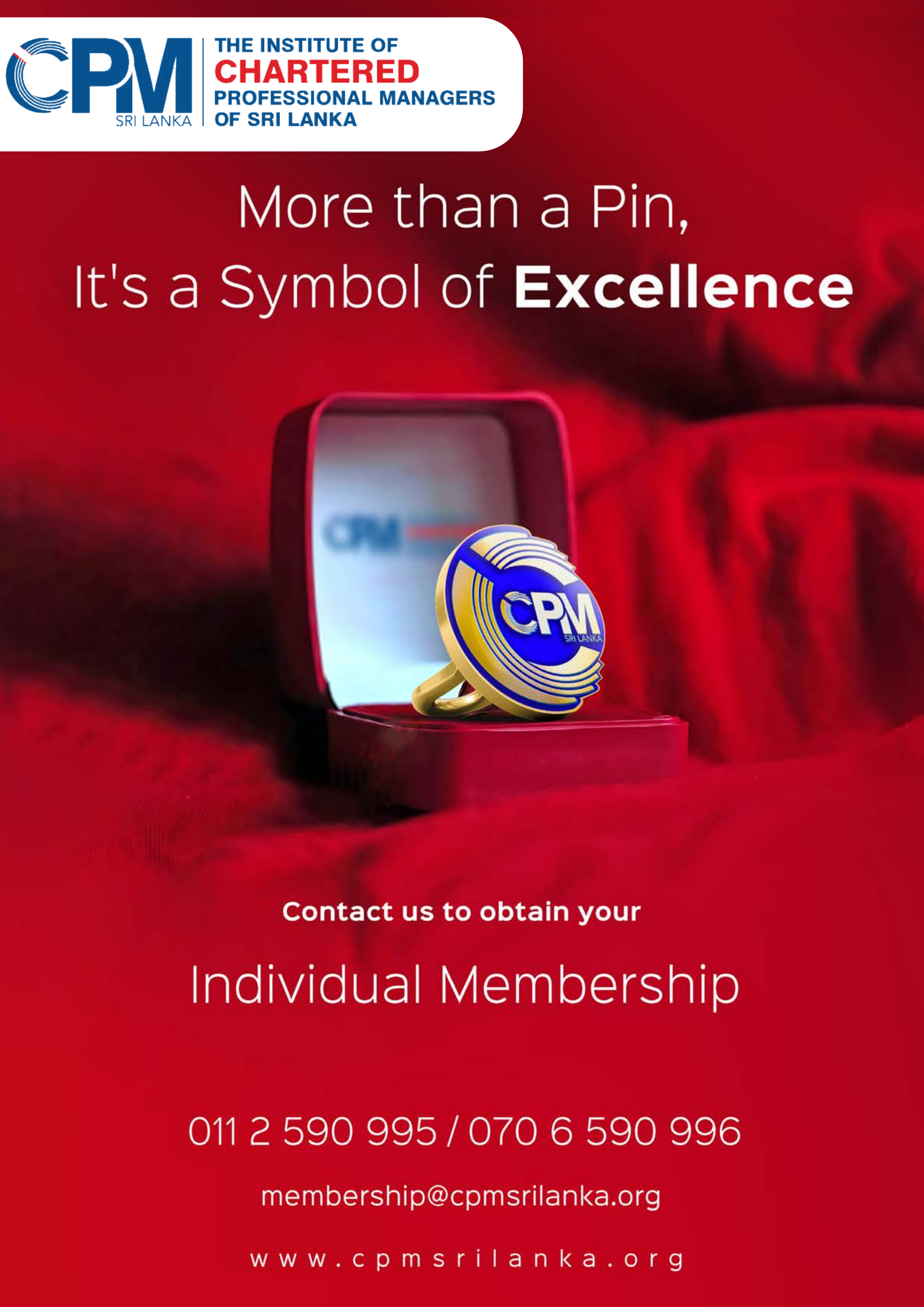
INTEGRATED REPORTING & SUSTAINABILITY ACCOUNTING STANDARDS WORKSHOP

The Institute of Certified Management Accountants of Sri Lanka (CMA) successfully held the Integrated Reporting & Sustainability Accounting Standards Workshop on Thursday, 22nd January 2026**,** from 8.00 a.m. to 1.30 p.m. at the Cinnamon Grand, Mahogany Ballroom, Colombo, under the distinguished patronage of Mr. Jean Bouquot, President of the International Federation of Accountants (IFAC)**.**

The workshop was organized in line with the CMA Excellence in Integrated Reporting Awards 2025**,** with the objective of communicating the findings of the Technical and Judges' Panel Report**,** promoting global best practices, and strengthening the application of Integrated Reporting and Sustainability Accounting Standards in Sri Lanka

Insights from the Judges' Report were presented by Professor Samanthi Senarathne, Member of the Judges Panel – CMA Excellence in Integrated Reporting Awards 2025, highlighting key observations, evaluator expectations, and strategic recommendations for future improvement. A detailed presentation of the report was delivered by Ms. Darshini Watawala, Senior Committee Member of the CMA Integrated Reporting Committee, who elaborated on the technical aspects, assessment framework, and critical findings.

The launch of this report marked a significant milestone in advancing integrated reporting and sustainability practices in Sri Lanka. The report serves as a practical reference for corporates, finance professionals, sustainability practitioners, and academics, reinforcing CMA *Sri Lanka's* commitment to promoting high-quality integrated reporting aligned with international best practices.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