



Institute of Certified Management Accountants of Sri Lanka

Incorporated by Parliament Act No.23 of 2009

November 2025 Examination

Strategic Level

SL4.4: Governance & Ethics

INFORMATION:

1. Time allowed:
Reading– **15 minutes.**
Writing - **Three (3) hours.**
2. The total mark allowed for this paper is 100.
3. This paper has 06 pages.

INSTRUCTIONS:

4. This paper consists of **two parts.**
Section I: Question No. 01 (**Compulsory**).
Section II: Question No. 02 – 05 (**Select any 03 questions**).
5. Answer only four (04) questions, including Question No. 01.
6. The answers should be in the English language.

Section I: Compulsory Question

QUESTION NO 01

Rising Green Energy in Sri Lanka

Solar Green Energy PLC is a mid-sized renewable energy company headquartered in Colombo, Sri Lanka. Over the past five years, it has emerged as a leading provider of solar and wind energy solutions, making significant contributions to the country's renewable energy targets and sustainable development goals. The board of Solar Green Energy follows stakeholder engagement, emphasising that sustainable growth requires balancing shareholder wealth with the interests of employees, customers, suppliers, regulators, and local communities where projects operate. This reflects the enlightened shareholder theory, under which management recognises that long-term shareholder value is dependent on social responsibility, environmental sustainability, and proactive stakeholder engagement.

The company complies with the Companies Act No. 7 of 2007 and The Code of Best Practice on Corporate Governance (2017) issued jointly by the Colombo Stock Exchange (CSE) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). While the company's governance framework is guided by the principles of the Code, in practice it primarily focuses on meeting statutory and regulatory requirements. Board oversight and disclosure mechanisms exist; however, these are largely procedural, with limited evidence of proactive ethical leadership or voluntary transparency beyond compliance obligations.

Internal Control Systems:

Solar Green Energy has established a robust internal control system to ensure compliance with financial, operational, and environmental regulations. Key measures include:

- Risk Assessments: Comprehensive evaluations of financial, operational, and environmental risks associated with large-scale projects.
- Segregation of Duties: Clearly defined approval hierarchies for financial transactions, procurement, and project execution.
- Auditing: Regular internal and external audits to maintain the accuracy, reliability, and integrity of financial and operational reports.

The Northern Province Wind Farm Project:

Recently, Solar Green Energy initiated a major wind farm project in the Northern Province. This project faced significant opposition from local fisheries communities, who were concerned about

the impact on fishing grounds and local livelihoods. The project also involved multiple stakeholders, including government agencies, environmental groups, investors, and regional development authorities.

The board carefully assessed financial risks, environmental impact, and social implications before project approval. They conducted public consultations with local communities and regulatory authorities to understand their concerns, mitigate risks, and incorporate feedback where possible. The company maintained full transparency throughout the project, issuing periodic reports to shareholders and stakeholders highlighting both financial returns and social benefits. By doing so, Solar Green Energy demonstrated accountability, compliance with Sri Lankan law, and adherence to corporate governance best practices.

You have been appointed as an external consultant to Solar Green Energy PLC to prepare a comprehensive report covering corporate governance and stakeholder management aspects.

YOU ARE REQUIRED TO:

1.1. Evaluate how Solar Green Energy implemented the enlightened shareholder approach during its Northern Province wind farm project. Illustrate how the company balanced shareholder interests with the needs of local communities, regulatory authorities, and environmental stakeholders. Include examples of stakeholder engagement, consultation processes, and risk mitigation measures

(10 Marks)

1.2. Discuss how Solar Green Energy can apply a principles-based corporate governance approach under the Code of Best Practice on Corporate Governance for Listed Companies in Sri Lanka to effectively manage its multi-stakeholder environment, particularly when addressing social, environmental, and financial concerns simultaneously.

(10 Marks)

1.3. Discuss three key requirements that Solar Green Energy PLC should consider under the Companies Act No. 7 of 2007 and the Code of Best Practice on Corporate Governance (2023), highlighting how both statutory and voluntary compliance contribute to transparency, stakeholder confidence, and corporate credibility

(10 Marks)

1.4. Advise how Solar Green Energy exhibited accountability concerning the project, and why it is important to uphold accountability.

(10 Marks)

[Total 40 Marks]

Section II: Answer any three questions.

QUESTION NO 02

Super Express PLC is a leading supermarket chain in Sri Lanka, operating over 250 supermarkets and mini-markets island-wide. Mr. Gavesh Fernando currently serves as the Chairman of the company, while Mr. Ganesh Krishnamurthy has been the Chief Executive Officer (CEO) since its inception. Metro Engineers (Pvt) Limited provides engineering services to all outlets of Super Express PLC. The company employs over 125 staff, the majority of whom are technically qualified specialists in supermarket-related engineering services. Since the inception of Super Express PLC, Metro Engineers has been its exclusive engineering service provider, offering highly professional and reliable services, including a 24-hour on-call system that resolves reported faults within one day through a ticketing mechanism. While shareholders have acknowledged the high standard of services provided by Metro Engineers, it was later discovered that Mr. Ganesh Krishnamurthy, the CEO of Super Express PLC, is the brother-in-law of Mr. Ravindran Selwamutthu, the Chairman and Managing Director of Metro Engineers (Pvt) Limited. This relationship raised concerns about corporate governance, transparency, and potential conflict of interest.

YOU ARE REQUIRED TO:

2.1. Evaluate the above situation under the principles of corporate governance and discuss whether any corporate governance principles have been violated by the CEO, Mr. Ganesh Krishnamurthy.

(06 Marks)

2.2. Recommend the appropriate actions that should be taken by the shareholders under the Listing Rules of the Securities and Exchange Commission

(06 Marks)

2.3. Recommend the immediate remedies available to Super Express PLC in addressing this matter.

(08 Marks)

[Total 20 Marks]

QUESTION NO 03

Part A

RBC Holding PLC, a leading publicly listed company in the manufacturing sector, recently integrated advanced Artificial Intelligence systems into its operations. These AI systems are used for data analytics, financial reporting, compliance monitoring, and decision support at the board level.

YOU ARE REQUIRED TO:

3.1. Advise how the integrated Advanced Artificial Intelligence (AI) system helps to maintain a sound corporate governance system in RBC Holding PLC.

(06 Marks)

3.2. Discuss the possible limitations for the board of RBC Holding PLC in relying on information provided by the AI system.

(06 Marks)

Part B

As the newly appointed Company Secretary of Hexzone PLC, which was recently listed on the Colombo Stock Exchange, you have been requested by the newly appointed Board of Directors to educate them on professional and corporate ethics at a special board meeting scheduled next week.

YOU ARE REQUIRED TO:

3.3. Evaluate the importance of professional and corporate ethics.

(08 Marks)

[Total 20 Marks]

QUESTION NO 04

Fun Cola PLC, a leading soft drinks manufacturer listed on the Colombo Stock Exchange, faced public and investor backlash a decade ago due to environmental pollution from untreated factory waste and weak corporate governance oversight. The company has now established a Sustainability and Governance Committee to integrate ESG (Environmental, Social, and Governance) practices into its operations. You as an External Consultant has been appointed to advise this Committee

YOU ARE REQUIRED TO:

4.1. Identify the key risk management weaknesses in Fun Cola PLC's past governance. **Discuss** how a Risk Management Committee could help address environmental and operational risks, providing practical examples of risk management practices the company should adopt.

(11 Marks)

4.2. Propose a practical framework for monitoring and reporting Fun Cola PLC's environmental and social sustainability efforts. Briefly explain how this framework can help strengthen stakeholder trust and support the company's long-term sustainability.

(09 Marks)

[Total 20 Marks]

QUESTION NO 05

You are a professional accountant in practice engaged in providing external audit services to Leisure Lanka PLC, which is a hotel chain in Sri Lanka. During the audit, the Chief Finance Officer (CFO), who is also a close friend of yours, offers you an all-expenses-paid overseas holiday after the audit is completed. In addition, the CFO pressures you to overlook certain accounting treatments that would enhance the company's reported financial performance and present a more favourable picture to investors. With reference to the International Federation of Accountants (IFAC) Code of Ethics:

YOU ARE REQUIRED TO:

5.1. Discuss the fundamental ethical principles that may be threatened in this situation.

(06 Marks)

5.2. Identify and **discuss** the types of threats to compliance with the fundamental principles that arise.

(08 Marks)

5.3. Recommend appropriate safeguards that could be applied to reduce these threats to an acceptable level.

(06 Marks)

[Total 20 Marks]

[Total 100 Marks]

-End of the Question Paper-