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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

අංක 2069/05 - 2018 මැයි මස 01 වැනි අඟහරුවාදා - 2018.05.01

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PART I : SECTION (I) — GENERAL

Government Notifications

SRI LANKA ACCOUNTING AND AUDITING STANDARDS ACT, No. 15 OF 1995

Publication under Section 4(2)

BY virtue of the powers vested in the Institute of Chartered Accountants of Sri Lanka (hereinafter referred to as the "Institute"), the Institute has adopted changes to Sri Lanka Accounting Standards – (SLFRS & LKAS) with effect from 01st January 2018, published herewith for the purpose of the Sri Lanka Accounting and Auditing Standards, Act, No. 15 of 1995. These amendments shall be effective for financial statements covering period commencing on or after the first day of January Two Thousand Eighteen. Earlier application is permitted.

By Order of the Council,

ARUNA ALWIS,
Secretary.

The Institute of Chartered Accountants of Sri Lanka,
No. 30A,
Malalasekera Mawatha,
Colombo 07.
01st May, 2018.

Sri Lanka Accounting Standards (SLFRS) changes effective for the financial periods beginning on or after 01 January 2018

LKAS 1 *Presentation of Financial Statements*

Para Ref	Paragraph
7	***Other comprehensive income*** **comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other SLFRSs.** The components of other comprehensive income include: (a) changes in revaluation surplus (see LKAS 16 *Property, Plant and Equipment* and LKAS 38 *Intangible Assets*); (b) remeasurements of defined benefit plans (see LKAS 19 *Employee Benefits*); (c) gains and losses arising from translating the financial statements of a foreign operation (see LKAS 21 *The Effects of Changes in Foreign Exchange Rates*); (d) gains and losses ~~on remeasuring available-for-sale financial assets (see LKAS 39~~from investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of SLFRS 9 *Financial Instruments*~~:~~ ~~*Recognition and Measurement*):~~; (da) gains and losses on financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SLFRS 9. (e) the effective portion of gains and losses on hedging instruments in a cash flow hedge ~~(see LKAS 39~~and the gains and losses on hedging instruments that hedge investments in equity instruments measured at fair value through other comprehensive income in accordance with paragraph 5.7.5 of SLFRS 9 (see Chapter 6 of SLFRS 9); (f) for particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk (see paragraph 5.7.7 of SLFRS 9); (g) changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value (see Chapter 6 of SLFRS 9); and (h) changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument (see Chapter 6 of SLFRS 9).
34	SLFRS 15 Revenue ~~defines revenue and~~from Contracts with Customers requires an entity to measure ~~it~~revenue from contracts with customers at the ~~fair value~~amount of ~~the~~ consideration ~~received~~to which the entity expects to be entitled in exchange for transferring promised goods or ~~receivable, taking into account~~services. For example, the amount of revenue recognised reflects any trade discounts and volume rebates the entity allows. An entity undertakes, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. An entity presents the results of such

	transactions, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction. For example: a) an entity presents gains and losses on the disposal of non-current assets, including investments and operating assets, by deducting from the ~~proceeds~~amount of consideration on disposal the carrying amount of the asset and related selling expenses; and
68	The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be twelve months. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting period. Current assets also include assets held primarily for the purpose of trading (examples include some financial assets ~~classified as~~ that meet the definition of held for trading in ~~accordance with LKAS 39~~SLFRS 9) and the current portion of ~~noncurrent~~non-current financial assets.
71	Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting period or held primarily for the purpose of trading. Examples are some financial liabilities ~~classified as~~ that meet the definition of held for trading in ~~accordance with LKAS 39~~SLFRS 9, bank overdrafts, and the current portion of ~~noncurrent~~non-current financial liabilities, dividends payable, income taxes and other ~~nontrade~~non-trade payables. Financial liabilities that provide financing on a ~~longterm~~long-term basis (ie are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within twelve months after the reporting period are ~~noncurrent~~non-current liabilities, subject to paragraphs 74 and 75.
82	**In addition to items required by other SLFRSs, the profit or loss section or the statement of profit or loss shall include line items that present the following amounts for the period:** **~~(a) revenue;~~** **(a) revenue, presenting separately interest revenue calculated using the effective interest method;** **(aa) gains and losses arising from the derecognition of financial assets measured at amortised cost;** **(b)- finance costs;** **(ba) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of SLFRS 9;** **(c)- share of the profit or loss of associates and joint ventures accounted for using the equity method;** **(ca) if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date (as defined in SLFRS 9);** **(cb) if a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss;** …….

86	Because the effects of an entity's various activities, transactions and other events differ in frequency, potential for gain or loss and predictability, disclosing the components of financial performance assists users in understanding the financial performance achieved and in making projections of future financial performance. An entity includes additional line items in the statement(s) presenting profit or loss and other comprehensive income and it amends the descriptions used and the ordering of items when this is necessary to explain ~~then~~the elements of financial performance. An entity considers factors including materiality and the nature and function of the items of income and expense. For example, a financial institution may amend the descriptions to provide information that is relevant to the operations of a financial institution. An entity does not offset income and expense items unless the criteria in paragraph 32 are met.
93	Other SLFRSs specify whether and when amounts previously recognised in other comprehensive income are reclassified to profit or loss. Such reclassifications are referred to in this Standard as reclassification adjustments. A reclassification adjustment is included with the related component of other comprehensive income in the period that the adjustment is reclassified to profit or loss. ~~For example, gains realised on the disposal of available-for-sale financial assets are included in profit or loss of the current period.~~ These amounts may have been recognised in other comprehensive income as unrealised gains in the current or previous periods. Those unrealised gains must be deducted from other comprehensive income in the period in which the realised gains are reclassified to profit or loss to avoid including them in total comprehensive income twice.
95	Reclassification adjustments arise, for example, on disposal of a foreign operation (see LKAS 21~~), on derecognition of available-for-sale financial assets (see LKAS 39~~) and when ~~a~~some hedged forecast ~~transaction affects~~cash flows affect profit or loss (see paragraph ~~100~~6.5.11(d) of ~~LKAS 39~~SLFRS 9 in relation to cash flow hedges).
96	Reclassification adjustments do not arise on changes in revaluation surplus recognised in accordance with LKAS 16 or LKAS 38 or on remeasurements of defined benefit plans recognised in accordance with LKAS 19. These components are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Changes in revaluation surplus may be transferred to retained earnings in subsequent periods as the asset is used or when it is derecognised (see LKAS 16 and LKAS 38). In accordance with SLFRS 9, reclassification adjustments do not arise if a cash flow hedge or the accounting for the time value of an option (or the forward element of a forward contract or the foreign currency basis spread of a financial instrument) result in amounts that are removed from the cash flow hedge reserve or a separate component of equity, respectively, and included directly in the initial cost or other carrying amount of an asset or a liability. These amounts are directly transferred to assets or liabilities.
106	**An entity shall present a statement of changes in equity as required by paragraph 10. The statement of changes in equity includes the following information:** **(a)-…** **(b)-…;** **(c) and** **(d) -for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately (as a minimum) disclosing changes resulting from:**
123	In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts

	it recognises in the financial statements. For example, management makes judgements in determining: ~~(a) whether financial assets are held-to-maturity investments;~~ (a) [deleted] (b)- when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;~~ and~~ (c)- whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue~~.~~; and (d) whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
139M	~~*[These paragraphs refer amendments that are not yet effective, and are therefore not included in this edition.]*~~ [Deleted]
139N	~~*[These paragraphs refer amendments that are not yet effective, and are therefore not included in this edition.]*~~ SLFRS 15 *Revenue from Contracts with Customers*, issued in June 2014, amended paragraph 34. An entity shall apply that amendment when it applies SLFRS 15.
139O	~~*[These paragraphs refer amendments that are not yet effective, and are therefore not included in this edition.]*~~ SLFRS 9, as issued in December 2014, amended paragraphs 7, 68, 71, 82, 93, 95, 96, 106 and 123 and deleted paragraphs 139E, 139G and 139M. An entity shall apply those amendments when it applies SLFRS 9.
139Q	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*
139R	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

LKAS 2 *Inventories*

Para Ref	Paragraph
2	**This Standard applies to all inventories, except:** **(a)** [deleted] **(b)~~-~~financial instruments (see LKAS 32 *Financial Instruments: Presentation* and ~~LKAS 39~~SLFRS 9 *Financial Instruments~~: Recognition~~*); and~~ *Measurement*); and~~** **(c)- biological assets related to agricultural activity and agricultural produce at the point of harvest (see LKAS 41 *Agriculture*).**
8	Inventories encompass goods purchased and held for resale including, for example, merchandise purchased by a retailer and held for resale, or land and other property held for resale. Inventories also encompass finished goods produced, or work in progress being produced, by the entity and include materials and supplies awaiting use in the production process. ~~In the case of a service provider, inventories include the costs of the service, as described in paragraph 19, for which the entity has not yet recognised the related revenue (see LKAS 18 *Revenue*).~~Costs incurred to fulfil a contract with a customer that do not give rise to

	inventories (or assets within the scope of another Standard) are accounted for in accordance with SLFRS 15 *Revenue from Contracts with Customers.*
19	~~To the extent that service providers have inventories, they measure them at the costs of their production. These costs consist primarily of the labour and other costs of personnel directly engaged in providing the service, including supervisory personnel, and attributable overheads. Labour and other costs relating to sales and general administrative personnel are not included but are recognised as expenses in the period in which they are incurred. The cost of inventories of a service provider does not include profit margins or non-attributable overheads that are often factored into prices charged by service providers.~~ [Deleted]
29	Inventories are usually written down to net realisable value item by item. In some circumstances, however, it may be appropriate to group similar or related items. This may be the case with items of inventory relating to the same product line that have similar purposes or end uses, are produced and marketed in the same geographical area, and cannot be practicably evaluated separately from other items in that product line. It is not appropriate to write inventories down on the basis of a classification of inventory, for example, finished goods, or all the inventories in a particular operating segment. ~~Service providers generally accumulate costs in respect of each service for which a separate selling price is charged. Therefore, each such service is treated as a separate item.~~
37	Information about the carrying amounts held in different classifications of inventories and the extent of the changes in these assets is useful to financial statement users. Common classifications of inventories are merchandise, production supplies, materials, work in progress and finished goods. ~~The inventories of a service provider may be described as work in progress.~~
40D	~~The date of that opening statement of financial position shall be as at the beginning of the preceding period regardless of whether an entity's financial statements present comparative information for earlier periods (as permitted in paragraph 38C).~~ [Deleted]
40E	SLFRS 15 *Revenue from Contracts with Customers*, issued in June 2014, amended paragraphs ~~*refer*~~2, 8, 29 and 37 and deleted paragraph 19. An entity shall apply those amendments when it applies SLFRS 15.
40F	SLFRS 9, as issued in December 2014, amended paragraphs 2 and deleted paragraphs 40A, 40B and 40D. An entity shall apply those amendments when it applies SLFRS 9.
40G	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

LKAS 7 *Statement of Cash Flows*

Para Ref	**Paragraph**
49	There are various circumstances in which cash and cash equivalent ~~balanced~~balances held by an entity are not available for use by the group. Examples include cash and cash equivalent balances held by a subsidiary that operates in a country where exchange controls or other legal restrictions apply when the balances are not available for general use by the parent or other subsidiaries.
61	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

LKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

Para Ref	Paragraph
53	Hindsight should not be used when applying a new accounting policy to, or correcting amounts for, a prior period, either in making assumptions about what management's intentions would have been in a prior period or estimating the amounts recognised, measured or disclosed in a prior period. For example, when an entity corrects a prior period error in ~~measuring financial assets previously classified as held-to-maturity investments in accordance with LKAS 39 *Financial Instruments: Recognition and Measurement*, it does not change their basis of measurement for that period if management decided later not to hold them to maturity. In addition, when an entity corrects a prior period error in~~ calculating its liability for employees' accumulated sick leave in accordance with LKAS 19 *Employee Benefits*, it disregards information about an unusually severe influenza season during the next period that became available after the financial statements for the prior period were authorised for issue. The fact that significant estimates are frequently required when amending comparative information presented for prior periods does not prevent reliable adjustment or correction of the comparative information.
54D	~~*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*~~ [Deleted]
54E	~~*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*~~ SLFRS 9 *Financial Instruments*, as issued in December 2014, amended paragraph ~~*refers to*~~53 and deleted paragraphs 54A, 54B and 54D. An entity shall apply those amendments when it applies SLFRS 9.

LKAS 10 *Events after the Reporting Period*

Para Ref	Paragraph
9	The following are examples of adjusting events after the reporting period that require an entity to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised: (a)- …… (b)- the receipt of information after the reporting period indicating that an asset was impaired at the end of the reporting period, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted. For example: (i)- the bankruptcy of a customer that occurs after the reporting period usually confirms that ~~a loss existed~~the customer was credit-impaired at the end of the reporting period ~~on a trade receivable~~; and ~~that the entity needs to adjust the carrying amount of the trade receivable; and~~ ………

23B	SLFRS 9 *Financial Instruments*, as issued in December 2014, amended paragraph 9. An entity shall apply that amendment when it applies SLFRS 9.

LKAS 11 *Construction Contracts*

Sri Lanka Accounting Standard – LKAS 11 is superseded by SLFRS 15 w.e.f. 01 January 2018

LKAS 12 *Income Taxes*

Para Ref	Paragraph
20	SLFRSs permit or require certain assets to be carried at fair value or to be revalued (see, for example, LKAS 16 *Property, Plant and Equipment*, LKAS 38 *Intangible Assets*, LKAS ~~39~~40 *Investment Property* and SLFRS 9 *Financial Instruments*~~: Recognition and Measurement~~ ~~and LKAS 40 *Investment Property*~~). ……….
21	………… (ii)- the amount of any non-controlling interest in the ~~acquire~~acquiree recognised in accordance with SLFRS 3; and ………..
29	When there are insufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, the deferred tax asset is recognised to the extent that: (a) it is probable that the entity will have sufficient taxable profit relating to the same taxation authority and the same taxable entity in the same period as the reversal of the deductible temporary difference (or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward). In evaluating whether it will have sufficient taxable profit in future periods, an entity ~~ignores taxable amounts arising from deductible temporary differences that are expected to originate in future periods, because the deferred tax asset arising from these deductible temporary differences will itself require future taxable profit in order to be utilised; or~~: (i) ……….. (ii) ……….
59	Most deferred tax liabilities and deferred tax assets arise where income or expense is included in accounting profit in one period, but is included in taxable profit (tax loss) in a different period. The resulting deferred tax is recognised in profit or loss. Examples are when: (a) interest, royalty or dividend revenue is received in arrears and is included in accounting profit ~~on a time apportionment basis~~ in accordance with ~~LKAS 18~~SLFRS 15 *Revenue from Contracts with Customers*, LKAS 39 *Financial Instruments: Recognition and Measurement* or SLFRS 9 *Financial Instruments*, as relevant, but is included in taxable profit (tax loss) on a cash basis; and …..
98D	[Deleted]
98E	~~*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*~~

	SLFRS 15 *Revenue from Contracts with Customers*, issued in June 2014, amended paragraph 59. An entity shall apply that amendment when it applies SLFRS 15.
98F	~~*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*~~ SLFRS 9, as issued in December 2014, amended paragraph 20 and deleted paragraphs 96, 97 and 98D. An entity shall apply those amendments when it applies SLFRS 9.
98G	*[~~These paragraphs refer~~This paragraph refers to amendments that are not yet effective, and ~~are~~is therefore not included in this edition.]*

LKAS 16 Property, Plant and Equipment

Para Ref	Paragraph
29A – 29B	*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*
68A	However, an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets shall be recognised as revenue in accordance with ~~LKAS 18~~SLFRS 15 *Revenue from Contracts with Customers*. SLFRS 5 does not apply when assets that are held for sale in the ordinary course of business are transferred to inventories.
69	The disposal of an item of property, plant and equipment may occur in a variety of ways (eg by sale, by entering into a finance lease or by donation). ~~In determining the~~The date of disposal of an item~~, an entity applies~~ of property, plant and equipment is the date the ~~criteria~~recipient obtains control of that item in ~~LKAS 18~~accordance with the requirements for ~~recognising revenue from the sale of goods.~~determining when a performance obligation is satisfied in SLFRS 15. LKAS 17 applies to disposal by a sale and leaseback.
72	The amount of consideration ~~receivable on disposal~~to be included in the gain or loss arising from the derecognition of an item of property, plant and equipment is ~~recognised initially at its fair value. If payment~~determined in accordance with the requirements for ~~the item is deferred,~~determining the transaction price in paragraphs 47–72 of SLFRS 15. Subsequent changes to the estimated amount of the consideration ~~received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash~~included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price ~~equivalent is recognised as interest revenue in accordance with LKAS 18 reflecting the effective yield on the receivable~~in SLFRS 15.
81J	[~~These paragraphs refers to amendments that are not yet effective, and are therefore not included in this edition.]~~ ~~*[These*~~ SLFRS 15 *Revenue from Contracts with Customers*, issued in June 2014, amended paragraphs ~~*refer to*~~68A, 69 and 72. An entity shall apply those amendments when it applies SLFRS 15.
81M	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

LKAS 17 Leases

No changes

LKAS 18 *Revenue*

Sri Lanka Accounting Standard – LKAS 18 is superseded by SLFRS 15 w.e.f. 01 January 2018

LKAS 19 Employee Benefits

Para Ref	Paragraph
155	**In recognising and measuring the surplus or deficit in ~~another~~an other long-term employee benefit plan, an entity shall apply paragraphs 56–98 and 113–115. An entity shall apply paragraphs 116–119 in recognising and measuring any reimbursement right.**
178	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

LKAS 20 Disclosure of Government Assistance

Para Ref	Paragraph
10A	The benefit of a government loan at a below-~~-~~market rate of interest is treated as a government grant. The loan shall be recognised and measured in accordance with ~~LKAS 39~~SLFRS 9 *Financial Instruments~~: Recognition and Measurement.~~.* The benefit of the below-~~-~~market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with ~~LKAS 39~~SLFRS 9 and the proceeds received. The benefit is accounted for in accordance with this Standard. The entity shall consider the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate.
47	~~*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*~~ [Deleted]
48	~~*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*~~ SLFRS 9, as issued in December 2014, amended paragraph 10A and deleted paragraphs 44 and 47. An entity shall apply those amendments when it applies SLFRS 9.

LKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Para Ref	Paragraph
3	**This Standard shall be applied:**[1]

[1] See also SIC-7 Introduction of the Euro

	(a)- in accounting for transactions and balances in foreign currencies, except for those derivative transactions and balances that are within the scope of ~~LKAS 39~~SLFRS 9 *Financial Instruments~~: Recognition and Measurement~~*; **……..**
4	~~LKAS 39~~ SLFRS 9 applies to many foreign currency derivatives and, accordingly, these are excluded from the scope of this Standard. However, those foreign currency derivatives that are not within the scope of ~~LKAS 39~~SLFRS 9 (eg some foreign currency derivatives that are embedded in other contracts) are within the scope of this Standard. In addition, this Standard applies when an entity translates amounts relating to derivatives from its functional currency to its presentation currency.
5	This Standard does not apply to hedge accounting for foreign currency items, including the hedging of a net investment in a foreign operation. ~~LKAS 39~~SLFRS 9 applies to hedge accounting.
27	As noted in paragraphs 3(a) and 5, ~~LKAS 39~~SLFRS 9 applies to hedge accounting for foreign currency items. The application of hedge accounting requires an entity to account for some exchange differences differently from the treatment of exchange differences required by this Standard. For example, ~~LKAS 39~~SLFRS 9 requires that exchange differences on monetary items that qualify as hedging instruments in a cash flow hedge are recognised initially in other comprehensive income to the extent that the hedge is effective.
52	**An entity shall disclose:** **(a)- the amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with ~~LKAS 39~~SLFRS 9; and** **………**
60I	~~*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*~~ [Deleted]
60J	~~*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*~~ SLFRS 9, as issued in December 2014, amended paragraphs 3, 4, 5, 27 and 52 and deleted paragraphs 60C, 60E and 60I. An entity shall apply those amendments when it applies SLFRS 9.

LKAS 23 *Borrowing Costs*

Para Ref	**Paragraph**
6	Borrowing costs may include: (a)- interest expense calculated using the effective interest method as described in ~~LKAS 39 *Financial Instruments: Recognition and Measurement*~~SLFRS 9; ……..

29B	~~*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*~~ SLFRS 9, as issued in December 2014, amended paragraph 6. An entity shall apply that amendment when it applies SLFRS 9.

LKAS 24 *Related Party Disclosures*

No changes

LKAS 26 Accounting and Reporting by Retirement Benefit Plans

No changes

LKAS 27 *Separate Financial Statements*

Para Ref	**Paragraph**
11B	When a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred, as follows: (a)- ………. (b)- when an entity becomes an investment entity, it shall account for an investment in a subsidiary at fair value through profit or loss in accordance with SLFRS 9. The difference between the previous carrying amount of the subsidiary and its fair value at the date of the change of status of the investor shall be recognised as a gain or loss in profit or loss. The cumulative amount of any gain or loss ~~fair value adjustment~~ previously recognised in other comprehensive income in respect of those subsidiaries shall be treated as if the investment entity had disposed of those subsidiaries at the date of change in status.

LKAS 28 *Investments in Associates and Joint Ventures*

Para Ref	**Paragraph**
14A	*[This paragraph refers to an amendment that is not yet effective, and is therefore not included in this edition.]*
18	When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure ~~investments in those associates and joint ventures~~that investment at fair value through profit or loss in accordance with SLFRS 9. An entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.
31A – 31B	~~*[This paragraph refers*~~ *[These paragraphs refer to amendments that are not yet effective, and* ~~*is*~~*are therefore not included in this edition.]*

36A	Notwithstanding the requirement in paragraph 36, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.
40	After application of the equity method, including recognising the associate's or joint venture's losses in accordance with paragraph 38, the entity applies ~~LKAS 39 *Financial Instruments: Recognition and Measurement*~~paragraphs 41A–41C to determine whether ~~it~~there is ~~necessary to recognise~~ any ~~additional impairment loss with respect to~~objective evidence that its net investment in the associate or joint venture is impaired.
41	The entity ~~also~~ applies ~~LKAS 39 to determine whether any additional~~ the impairment ~~loss is recognised with respect~~requirements in SLFRS 9 to its ~~interest~~other interests in the associate or joint venture that ~~does~~are in the scope of SLFRS 9 and that do not constitute part of the net investment ~~and the amount of that~~.
41A - 41C	~~*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*~~
41A	The net investment in an associate or joint venture is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that the net investment is impaired includes observable data that comes to the attention of the entity about the following loss events: (a) significant financial difficulty of the associate or joint venture; (b) a breach of contract, such as a default or delinquency in payments by the associate or joint venture; (c) the entity, for economic or legal reasons relating to its associate's or joint venture's financial difficulty, granting to the associate or joint venture a concession that the entity would not otherwise consider; (d) it becoming probable that the associate or joint venture will enter bankruptcy or other financial reorganisation; or (e) the disappearance of an active market for the net investment because of financial difficulties of the associate or joint venture.
41B	The disappearance of an active market because the associate's or joint venture's equity or financial instruments are no longer publicly traded is not evidence of impairment. A downgrade of an associate's or joint venture's credit rating or a decline in the fair value of the associate or joint venture, is not of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information.

41C	In addition to the types of events in paragraph 41A, objective evidence of impairment for the net investment in the equity instruments of the associate or joint venture includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate or joint venture operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.
42	Because goodwill that forms part of the carrying amount of ~~an~~the net investment in an associate or a joint venture is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in LKAS 36 *Impairment of Assets*. Instead, the entire carrying amount of the investment is tested for impairment in accordance with LKAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount~~,~~ whenever application of ~~LKAS 39~~paragraphs 41A–41C indicates that the net investment may be impaired. An impairment loss recognised in those circumstances is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net investment in the associate or joint venture. Accordingly, any reversal of that impairment loss is recognised in accordance with LKAS 36 to the extent that the recoverable amount of the net investment subsequently increases. In determining the value in use of the net investment, an entity estimates: …….
45A	SLFRS 9, as issued in December 2014, amended paragraphs 40–42 and added paragraphs 41A–41C. An entity shall apply those amendments when it applies SLFRS 9.
45E	*Annual Improvements to SLFRSs - 2016*, issued in January 2017, amended paragraphs 18 and 36A. An entity shall apply those amendments retrospectively in accordance with LKAS 8 for annual periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.
45F - 45K	*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*

LKAS 29 *Financial Reporting in Hyperinflationary Economies*

No changes

LKAS 32 Financial Instruments: Presentation

Para Ref	Paragraph
3	The principles in this Standard complement the principles for recognising and measuring financial assets and financial liabilities in ~~LKAS 39~~SLFRS 9 *Financial Instruments*~~*: Recognition and Measurement*~~, and for disclosing information about them in SLFRS 7 *Financial Instruments: Disclosures*.

4	**This Standard shall be applied by all entities to all types of financial instruments except:** **(a)- those interests in subsidiaries, associates or joint ventures that are accounted for in accordance with SLFRS 10 *Consolidated Financial Statements*, LKAS 27 *Separate Financial Statements* or LKAS 28 *Investments in Associates and Joint Ventures*. However, in some cases, SLFRS 10, LKAS 27 or LKAS 28 require or permit an entity to account for an interest in a subsidiary, associate or joint venture using ~~LKAS 39~~SLFRS 9; in those cases, entities shall apply the requirements of this Standard. Entities shall also apply this Standard to all derivatives linked to interests in subsidiaries, associates or joint ventures.** **(b) - employers' rights and obligations under employee benefit plans, to which LKAS 19 *Employee Benefits* applies.** **(c)-** [deleted] **(d)- insurance contracts as defined in SLFRS 4 *Insurance Contracts*. However, this Standard applies to derivatives that are embedded in insurance contracts if ~~LKAS 39~~SLFRS 9 requires the entity to account for them separately. Moreover, an issuer shall apply this Standard to financial guarantee contracts if the issuer applies ~~LKAS 39~~SLFRS 9 in recognising and measuring the contracts, but shall apply SLFRS 4 if the issuer elects, in accordance with paragraph 4(d) of SLFRS 4, to apply SLFRS 4 in recognising and measuring them.** **(e)- financial instruments that are within the scope of SLFRS 4 because they contain a discretionary participation feature. The issuer of these instruments is exempt from applying to these features paragraphs 15–32 and AG25–AG35 of this Standard regarding the distinction between financial liabilities and equity instruments. However, these instruments are subject to all other requirements of this Standard. Furthermore, this Standard applies to derivatives that are embedded in these instruments (see ~~LKAS 39~~SLFRS 9).**
8	**This Standard shall be applied to those contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements. However, this Standard shall be applied to those contracts that an entity designates as measured at fair value through profit or loss in accordance with paragraph 2.5 of SLFRS 9 *Financial Instruments*.**
12	The following terms are defined in Appendix A of SLFRS 9 or paragraph 9 of LKAS 39 *Financial Instruments: Recognition and Measurement* and are used in this Standard with the meaning specified in LKAS 39~~.~~ and SLFRS 9. • amortised cost of a financial asset or financial liability • ~~available-for-sale financial assets~~ • derecognition • derivative • effective interest method • financial guarantee contract • financial ~~asset or financial~~ liability at fair value through profit or loss • ~~financial guarantee contract~~ • firm commitment • forecast transaction • hedge effectiveness • hedged item

	• hedging instrument • held~~ to maturity investments~~ for trading • ~~loans and receivables~~ • regular way purchase or sale • transaction costs.
23	With the exception of the circumstances described in paragraphs 16A and 16B or paragraphs 16C and 16D, a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount (for example, for the present value of the forward repurchase price, option exercise price or other redemption amount). This is the case even if the contract itself is an equity instrument. One example is an entity's obligation under a forward contract to purchase its own equity instruments for cash. The financial liability is recognised initially at the present value of the redemption amount, and is reclassified from equity. Subsequently, the financial liability is measured in accordance with ~~LKAS 39~~SLFRS 9. If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity. An entity's contractual obligation to purchase its own equity instruments gives rise to a financial liability for the present value of the redemption amount even if the obligation to purchase is conditional on the counterparty exercising a right to redeem (eg a written put option that gives the counterparty the right to sell an entity's own equity instruments to the entity for a fixed price).
31	~~LKAS 39~~ SLFRS 9 deals with the measurement of financial assets and financial liabilities. ………
33A	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*
42	…….. **In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability (see ~~LKAS 39~~SLFRS 9, paragraph ~~36~~3.2.22).**
97P	~~*[These paragraphs refers to amendments that are not yet effective, and are therefore not included in this edition.]*~~ [Deleted
97Q	~~*[These paragraphs refers to amendments that are not yet effective, and are therefore not included in this edition.]*~~ SLFRS 15 *Revenue from Contracts with Customers*, issued in June 2014, amended paragraph AG21. An entity shall apply that amendment when it applies SLFRS 15.
97R	~~*[These paragraphs refers to amendments that are not yet effective, and are therefore not included in this edition.]*~~ SLFRS 9, as issued in December 2014, amended paragraphs ~~refer~~3, 4, 8, 12, 23, 31, 42, 96C, AG2 and AG30 and deleted paragraphs 97F, 97H and 97P. An entity shall apply those amendments when it applies SLFRS 9.
97S	*[This paragraph refers to amendments that are not yet effective, and ~~are~~is therefore not included in this edition.]*

AG2	The Standard does not deal with the recognition or measurement of financial instruments. Requirements about the recognition and measurement of financial assets and financial liabilities are set out in ~~LKAS 39~~SLFRS 9.
AG21	Except as required by SLFRS 15 *Revenue from Contracts with Customers*, a contract that involves the receipt or delivery of physical assets does not give rise to a financial asset of one party and a financial liability of the other party unless any corresponding payment is deferred past the date on which the physical assets are transferred. Such is the case with the purchase or sale of goods on trade credit.
AG30	Paragraph 28 applies only to issuers of non-derivative compound financial instruments. Paragraph 28 does not deal with compound financial instruments from the perspective of holders. ~~LKAS 39~~SLFRS 9 deals with the ~~separation~~classification and measurement of ~~embedded derivatives from the perspective of holders of~~financial assets that are compound financial instruments ~~that contain debt and equity features~~from the holder's perspective.

LKAS 33 Earnings per Share

Para Ref	Paragraph
34	After the potential ordinary shares are converted into ordinary shares, the items identified in paragraph 33(a)–(c) no longer arise. Instead, the new ordinary shares are entitled to participate in profit or loss attributable to ordinary equity holders of the parent entity. Therefore, profit or loss attributable to ordinary equity holders of the parent entity calculated in accordance with paragraph 12 is adjusted for the items identified in paragraph 33(a)–(c) and any related taxes. The expenses associated with potential ordinary shares include transaction costs and discounts accounted for in accordance with the effective interest method (see ~~paragraph 9 of LKAS 39 *Financial Instruments: Recognition and Measurement*~~SLFRS 9).
54	The number of ordinary shares contingently issuable may depend on the future market price of the ordinary shares. In that case, if the effect is dilutive, the calculation of diluted earnings per share is based on the number of ordinary shares that would be issued if the market price at the end of the reporting period were the market price at the end of the contingency period. If the condition is based on an average of market prices over a period of time that extends beyond the end of the reporting period, the average for the period of time that has lapsed is used. Because the market price may change in a future period, the calculation of basic earnings per share does not include such contingently issuable ordinary shares until the end of the contingency period because not all necessary conditions have been satisfied.

64	**If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted earnings per share of all ~~period~~periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively.**
74E	~~[This~~ SLFRS 9 *Financial Instruments*, as issued in December 2014, amended paragraph ~~*refers to amendments*~~34. An entity shall apply that ~~*are not yet effective,*~~amendment when it applies SLFRS 9.

LKAS 34 Interim Financial Reporting

Para Ref	Paragraph
15B	The following is a list of events and transactions for which disclosures would be required if they are significant: the list is not exhaustive. (a)- … (b)- recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, assets arising from contracts with customers, or other assets, and the reversal of such an impairment loss; …….
16A	**In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements or elsewhere in the interim financial report.** **……..** **(l) the disaggregation of revenue from contracts with customers required by paragraphs 114–115 of SLFRS 15 *Revenue from Contracts with Customers*.**
55	SLFRS 15 *Revenue from Contracts with Customers*, issued in June 2014, amended paragraphs 15B and 16A. An entity shall apply those amendments when it applies SLFRS 15.

LKAS 36 *Impairment of Assets*

Para Ref	Paragraph
2	**This Standard shall be applied in accounting for the impairment of all assets, other than:** **(a)- inventories (see LKAS 2 *Inventories*);**

	(b)–contract assets and assets arising from ~~construction contracts (see LKAS 11 *Construction*~~ costs to obtain or fulfil a contract that are recognised in accordance with SLFRS 15 *Revenue from* *Contracts*~~);~~ *with Customers*; **(c)- deferred tax assets (see LKAS 12 *Income Taxes*);** **(d)- assets arising from employee benefits (see LKAS 19 *Employee Benefits*);** **(e)- financial assets that are within the scope of ~~LKAS 39~~SLFRS 9 *Financial Instruments~~: Recognition and Measurement~~*;** ………..
4	This Standard applies to financial assets classified as: ……… For impairment of other financial assets, refer to ~~LKAS 39~~SLFRS 9.
5	This Standard does not apply to financial assets within the scope of ~~LKAS 39~~SLFRS 9, investment property measured at fair value within the scope of LKAS 40, or biological assets related to agricultural activity measured at fair value less costs to sell within the scope of LKAS 41. ……..
140L	~~*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*~~ SLFRS 15 *Revenue from Contracts with Customers*, issued in June 2014, amended paragraph 2. An entity shall apply that amendment when it applies SLFRS 15.
140M	~~*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*~~ SLFRS 9, as issued in December 2014, amended paragraphs ~~*refer*~~2, 4 and 5 and deleted paragraphs 140F, 140G and 140K. An entity shall apply those amendments when it applies SLFRS 9.
140N	*[This paragraph refers to amendments that are not yet effective, and ~~are~~ is therefore not included in this edition.]*
Appendix B	**Amendment to LKAS 16** **[Amendment not applicable to requirements]**
Appendix C	***Appendix B is renamed as Appendix C***

LKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Para Ref	Paragraph
2	This Standard does not apply to financial instruments (including guarantees) that are within the scope of ~~LKAS 39~~SLFRS 9 *Financial Instruments~~: Recognition and Measurement~~*~~.~~.

5	When another Standard deals with a specific type of provision, contingent liability or contingent asset, an entity applies that Standard instead of this Standard. For example, some types of provisions are addressed in Standards on: ~~(a) construction contracts (see LKAS 11 *Construction Contracts*);~~ (a) [deleted] (b)- income taxes (see LKAS 12 *Income Taxes*); (c)- leases (see LKAS 17 *Leases*). However, as LKAS 17 contains no specific requirements to deal with operating leases that have become onerous, this Standard applies to such cases; (d)- employee benefits (see LKAS 19 *Employee Benefits*);~~ and~~ (e)- insurance contracts (see SLFRS 4 *Insurance Contracts*). However, this Standard applies to provisions, contingent liabilities and contingent assets of an insurer, other than those arising from its contractual obligations and rights under insurance contracts within the scope of SLFRS 4;~~ and~~ (f)- contingent consideration of an acquirer in a business combination (see SLFRS 3 *Business Combinations*~~).~~); and (g) revenue from contracts with customers (see SLFRS 15 *Revenue from Contracts with Customers*). However, as SLFRS 15 contains no specific requirements to address contracts with customers that are, or have become, onerous, this Standard applies to such cases.
6	~~Some amounts treated as provisions may relate to the recognition of revenue, for example where an entity gives guarantees in exchange for a fee. This Standard does not address the recognition of revenue. LKAS 18 *Revenue* identifies the circumstances in which revenue is recognised and provides practical guidance on the application of the recognition criteria. This Standard does not change the requirements of LKAS 18.~~ [Deleted]
100	~~*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition]*~~ SLFRS 15 *Revenue from Contracts with Customers*, issued in June 2014, amended paragraph 5 and deleted paragraph 6. An entity shall apply those amendments when it applies SLFRS 15.
101	~~*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition]*~~ SLFRS 9, as issued in December 2014, amended paragraph 2 and deleted paragraphs 97 and 98. An entity shall apply those amendments when it applies SLFRS 9.
102	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*
103	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

LKAS 38 *Intangible Assets*

Para Ref	Paragraph
3	If another Standard prescribes the accounting for a specific type of intangible asset, an entity applies that Standard instead of this Standard. For example, this Standard does not apply to: (a)- intangible assets held by an entity for sale in the ordinary course of business (see LKAS 2 *Inventories*~~ and LKAS 11 *Construction Contracts*~~). ……… (i) assets arising from contracts with customers that are recognised in accordance with SLFRS 15 *Revenue from Contracts with Customers*.
98	A variety of amortisation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the ~~unit~~units of production method. The method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits.
114	The disposal of an intangible asset may occur in a variety of ways (eg by sale, by entering into a finance lease, or by donation). ~~In determining the~~The date of disposal of ~~such~~ an intangible asset~~, an entity applies~~ is the date that the ~~criteria~~recipient obtains control of that asset in ~~LKAS 18 *Revenue*~~accordance with the requirements for ~~recognising revenue from the sale of goods.~~determining when a performance obligation is satisfied in SLFRS 15. LKAS 17 applies to disposal by a sale and leaseback.
116	The amount of consideration ~~receivable on disposal~~to be included in the gain or loss arising from the derecognition of an intangible asset is ~~recognised initially at its fair value. If payment~~determined in accordance with the requirements for ~~the intangible asset is deferred,~~determining the transaction price in paragraphs 47–72 of SLFRS 15. Subsequent changes to the estimated amount of the consideration ~~received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash~~included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price ~~equivalent is recognised as interest revenue in accordance with LKAS 18 reflecting the effective yield on the receivable~~in SLFRS 15.
122	**~~(d)~~ (b) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements.** **………**
130K	~~*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*~~ SLFRS 15 *Revenue from Contracts with Customers*, issued in June 2014, amended paragraphs 3, 114 and 116. An entity shall apply those amendments when it applies SLFRS 15.
130L	*[This paragraph refers to amendments that are not yet effective, and ~~are~~is therefore not included in this edition.]*
130M	*[This paragraph refers to amendments that are not yet effective, and ~~are~~is therefore not included in this edition.]*

LKAS 39 *Financial Instruments: _Recognition and Measurement*

Para Ref	Paragraph
1	**Objective** [Deleted]
2	**Scope** **This Standard shall be applied by all entities to all ~~types of~~ financial instruments ~~except~~within the scope of SLFRS 9 *Financial Instruments* if, and to the extent that:** **(a) SLFRS 9 permits the hedge accounting requirements of this Standard to be applied; and** **(b) the financial instrument is part of a hedging relationship that qualifies for hedge accounting in accordance with this Standard.**
2A - 7	[Deleted]
8	~~The terms defined in LKAS 32 are used in this Standard with the meanings specified in paragraph 11 of LKAS 32. LKAS 32 defines the following terms:~~The terms defined in SLFRS 13, SLFRS 9 and LKAS 32 are used in this Standard with the meanings specified in Appendix A of SLFRS 13, Appendix A of SLFRS 9 and paragraph 11 of LKAS 32. SLFRS 13, SLFRS 9 and LKAS 32 define the following terms: • amortised cost of a financial asset or financial liability ~~•~~ • derecognition • derivative • effective interest method • effective interest rate • equity instrument • fair value • financial asset • financial instrument • financial liability ~~• equity instrument~~ and provide guidance on applying those definitions.
9	~~**The following terms are used in this Standard with the meanings specified:**~~ ~~**Definition of a derivative**~~ ~~……~~ ~~**Definitions of four categories of financial instruments**~~ ~~…….~~ ~~**Definition of a financial guarantee contract**~~ ~~……..~~

	~~**Definitions relating to recognition and measurement**~~ ~~…….~~ **Definitions relating to hedge accounting** *A firm commitment* is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates. *A forecast transaction* is an uncommitted but anticipated future transaction. *A hedging instrument* is a designated derivative or (for a hedge of the risk of changes in foreign currency exchange rates only) a designated non-derivative financial asset or non-derivative financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item (paragraphs 72–77 and Appendix A paragraphs AG94–AG97 elaborate on the definition of a hedging instrument). *A hedged item* is an asset, liability, firm commitment, highly probable forecast transaction or net investment in a foreign operation that (a) exposes the entity to risk of changes in fair value or future cash flows and (b) is designated as being hedged (paragraphs 78–84 and Appendix A paragraphs AG98–AG101 elaborate on the definition of hedged items). *Hedge effectiveness* is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument (see Appendix A paragraphs AG105–AG113A).
~~10 - 70~~	**[Deleted]**
71	**Hedging** **If an entity applies SLFRS 9 and has not chosen as its accounting policy to continue to apply the hedge accounting requirements of this Standard (see paragraph 7.2.21 of SLFRS 9), it shall apply the hedge accounting requirements in Chapter 6 of SLFRS 9. However, for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities, an entity may, in accordance with paragraph 6.1.3 of SLFRS 9, apply the hedge accounting requirements in this Standard instead of those in SLFRS 9. In that case the entity must also apply the specific requirements for fair value hedge accounting for a portfolio hedge of interest rate risk (see paragraphs 81A, 89A and AG114–AG132).** **……**
72 - 77	**Hedging instruments** **…..**
	Hedged items
78	….

79	~~Unlike loans and receivables, a held-to-maturity investment cannot be a hedged item with respect to interest-rate risk or prepayment risk because designation of an investment as held to maturity requires an intention to hold the investment until maturity without regard to changes in the fair value or cash flows of such an investment attributable to changes in interest rates. However, a held-to-maturity investment can be a hedged item with respect to risks from changes in foreign currency exchange rates and credit risk.~~ [Deleted]
80 - 84	…..
	Hedge accounting
85 - 102	…...
	Effective Date
103 – 103S	**…….**
103T	SLFRS 15 *Revenue from Contracts with Customers*, issued in June 2014, amended paragraphs 2, 9, 43, 47, 55, AG2, AG4 and AG48 and added paragraphs 2A, 44A, 55A and AG8A–AG8C. An entity shall apply those amendments when it applies SLFRS 15.
103U	SLFRS 9, as issued in December 2014, amended paragraphs 2, 8, 9, 71, 88–90, 96, AG95, AG114, AG118 and the headings above AG133 and deleted paragraphs 1, 4–7, 10–70, 79, 103B, 103D, 103F, 103H–103J, 103L–103P, 103S, 105–107A, 108E–108F, AG1–AG93 and AG96. An entity shall apply those amendments when it applies SLFRS 9.
104 – 108D	**……**
108E - 108F	[Deleted]

LKAS 40 *Investment Property*

Para Ref	Paragraph
3	Among other things, this Standard applies to the measurement in a lessee's financial statements of investment property interests held under a lease accounted for as a finance lease and to the measurement in a lessor's financial statements of investment property provided to a lessee under an operating lease. This Standard does not deal with matters covered in LKAS 17 *Leases*, including: (a)- classification of leases as finance leases or operating leases; (b)- recognition of lease income from investment property (see also ~~LKAS 18~~SLFRS 15 *Revenue from Contracts with Customers*); ……..
9	The following are examples of items that are not investment property and are therefore outside the scope of this Standard:

	(a)- property intended for sale in the ordinary course of business or in the process of construction or development for such sale (see LKAS 2 *Inventories*), for example, property acquired exclusively with a view to subsequent disposal in the near future or for development and resale. ~~(b) property being constructed or developed on behalf of third parties (see LKAS 11 *Construction Contracts*).~~ [deleted]
57	**Transfers** **~~Transfers~~ An entity shall transfer a property to, or from, investment property ~~shall be made~~ when, and only when, there is a change in use~~, evidenced by:~~. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. Examples of evidence of a change in use include:** **(a)- commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;** **(b)- commencement of development with a view to sale, for a transfer from investment property to inventories;** **(c)- end of owner-occupation, for a transfer from owner-occupied property to investment property; ~~or~~and** **(d)- ~~commencement~~ inception of an operating lease to another party, for a transfer from inventories to investment property.** **(e)**- [deleted]
58	~~Paragraph 57(b) requires an entity to transfer a property from investment property to inventories when, and only when, there is a change in use, evidenced by commencement of development with a view to sale~~ When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not ~~treat~~reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.
67	The disposal of an investment property may be achieved by sale or by entering into a finance lease. ~~In determining the~~The date of disposal for investment property~~, an entity applies~~ is the date the ~~criteria~~recipient obtains control of the investment property in ~~LKAS 18~~accordance with the requirements for ~~recognising revenue from the sale of goods and considers the related guidance~~determining when a performance obligation is satisfied in ~~the illustrative examples accompanying LKAS 18~~SLFRS 15. LKAS 17 applies to a disposal effected by entering into a finance lease and to a sale and leaseback.

70	The amount of consideration ~~receivable on disposal~~to be included in the gain or loss arising from the derecognition of an investment property is ~~recognised initially at fair value. In particular, if payment~~determined in accordance with the requirements for ~~an investment property is deferred,~~determining the transaction price in paragraphs 47–72 of SLFRS 15. Subsequent changes to the estimated amount of the consideration ~~received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash~~included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price ~~equivalent is recognised as interest revenue in accordance with LKAS 18 using the effective interest method~~in SLFRS 15.
	Transfers of investment property
84C	*Transfers of Investment Property* (Amendments to LKAS 40), issued in January 2017, amended paragraphs 57–58. An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (the date of initial application). At the date of initial application, an entity shall reassess the classification of property held at that date and, if applicable, reclassify property applying paragraphs 7–14 to reflect the conditions that exist at that date.
84D	Notwithstanding the requirements in paragraph 84C, an entity is permitted to apply the amendments to paragraphs 57–58 retrospectively in accordance with LKAS 8 if, and only if, that is possible without the use of hindsight.
84E	If, in accordance with paragraph 84C, an entity reclassifies property at the date of initial application, the entity shall: (a) account for the reclassification applying the requirements in paragraphs 59–64. In applying paragraphs 59–64, an entity shall: (i) read any reference to the date of change in use as the date of initial application; and (ii) recognise any amount that, in accordance with paragraphs 59–64, would have been recognised in profit or loss as an adjustment to the opening balance of retained earnings at the date of initial application. (b) disclose the amounts reclassified to, or from, investment property in accordance with paragraph 84C. The entity shall disclose those amounts reclassified as part of the reconciliation of the carrying amount of investment property at the beginning and end of the period as required by paragraphs 76 and 79.
85E	SLFRS 15 *Revenue from Contracts with Customers*, issued in June 2014, amended paragraphs 3(b), 9, 67 and 70. An entity shall apply those amendments when it applies SLFRS 15.
85F	*[This paragraph refers to amendments that are not yet effective, and ~~are~~is therefore not included in this edition.]*
85G	*Transfers of Investment Property* (Amendments to LKAS 40), issued in January 2017, amended paragraphs 57–58 and added paragraphs 84C–84E. An entity shall apply those amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.
85H	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

LKAS 41 *Agriculture*

No changes

SLFRS 1 *First-time Adoption of Sri Lanka Accounting Standards (SLFRSs)*

Para Ref	Paragraph
29	An entity is permitted to designate a previously recognised financial asset ~~or financial liability~~ as a financial asset ~~or financial liability~~measured at fair value through profit or loss ~~or a financial asset as available for sale~~ in accordance with paragraph ~~D19~~D19A. The entity shall disclose the fair value of financial assets ~~or financial liabilities~~so designated ~~into each category~~ at the date of designation and their classification and carrying amount in the previous financial statements.
29A	~~*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*~~ An entity is permitted to designate a previously recognised financial liability as a financial liability at fair value through profit or loss in accordance with paragraph D19. The entity shall disclose the fair value of financial liabilities so designated at the date of designation and their classification and carrying amount in the previous financial statements.
39U	[Deleted]
39X	SLFRS 15 *Revenue from Contracts with Customers*, issued in June 2014, amended paragraph D1, deleted paragraph D24 and its related heading and added paragraphs D34–D35 and their related heading. An entity shall apply those amendments when it applies SLFRS 15.
39Y	SLFRS 9 *Financial Instruments*, as issued in December 2014, amended paragraphs 29, B1–B6, D1, D14, D15, D19 and D20, deleted paragraphs 39B, 39G and 39U and added paragraphs 29A, B8–B8G, B9, D19A–D19C, D33, E1 and E2. An entity shall apply those amendments when it applies SLFRS 9.
39AC	IFRIC 22 *Foreign Currency Transactions and Advance Consideration* added paragraph D36 and amended paragraph D1. An entity shall apply that amendment when it applies IFRIC 22.
39AD	*Annual Improvements to SLFRSs 2016*, issued in January 2017, amended paragraphs 39L and 39T and deleted paragraphs 39D, 39F, 39AA and E3–E7. An entity shall apply those amendments for annual periods beginning on or after 1 January 2018.
39AE	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*
39AF	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

SLFRS 1 Balance part to be included.

SLFRS 2 *Share-based Payment*

Para Ref	Paragraph
6	This SLFRS does not apply to share-based payment transactions in which the entity receives or acquires goods or services under a contract within the scope of paragraphs 8–10 of LKAS 32 *Financial Instruments: Presentation* or paragraphs ~~5–~~2.4–2.7 of ~~LKAS 39~~SLFRS 9 *Financial Instruments~~: Recognition and Measurement~~*.
19	A grant of equity instruments might be conditional upon satisfying specified vesting conditions. For example, a grant of shares or share options to an employee is typically conditional on the employee remaining in the entity's employ for a specified period of time. There might be performance conditions that must be satisfied, such as the entity achieving a specified growth in profit or a specified increase in the entity's share price. Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions, other than market conditions, shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Hence, on a cumulative basis, no amount is recognised for goods or services received if the equity instruments granted do not vest because of failure to satisfy a *vesting condition*, ~~eg~~other than a market condition, for example, the counterparty fails to complete a specified service period, or a performance condition is not satisfied, subject to the requirements of paragraph 21.
30	**For cash-settled share-based payment transactions, the entity shall measure the goods or services acquired and the liability incurred at the fair value of the liability~~.~~, subject to the requirements of paragraphs 31–33D. Until the liability is settled, the entity shall remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.**
31	For example, an entity might grant share appreciation rights to employees as part of their remuneration package, whereby the employees will become entitled to a future cash payment (rather than an equity instrument), based on the increase in the entity's share price from a specified level over a specified period of time. ~~Or~~Alternatively, an entity might grant to its employees a right to receive a future cash payment by granting to them a right to shares (including shares to be issued upon the exercise of share options) that are redeemable, either mandatorily (~~eg~~for example, upon cessation of employment) or at the employee's option. These arrangements are examples of cash-settled share-based payment transactions. Share appreciation rights are used to illustrate some of the requirements in paragraphs 32–33D; however, the requirements in those paragraphs apply to all cash-settled share-based payment transactions.
33	The liability shall be measured, initially and at the end of each reporting period until settled, at the fair value of the share appreciation rights, by applying an option pricing model, taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered service to date—subject to the requirements of paragraphs 33A–33D. An entity might modify the terms and conditions on which a cash-settled share-based payment is granted. Guidance for a modification of a share-

	based payment transaction that changes its classification from cash-settled to equity-settled is given in paragraphs B44A–B44C in Appendix B.
33A – 33 H	~~*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*~~
	Treatment of vesting and non-vesting conditions
33A	A cash-settled share-based payment transaction might be conditional upon satisfying specified vesting conditions. There might be performance conditions that must be satisfied, such as the entity achieving a specified growth in profit or a specified increase in the entity's share price. Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, vesting conditions, other than market conditions, shall be taken into account by adjusting the number of awards the measurement of the liability arising from the transaction.
33B	To apply the requirements in paragraph 33A, the entity shall recognise an amount for the goods or services received during the vesting period. That amount shall be based on the best available estimate of the number of awards that are expected to vest. The entity shall revise that estimate, if necessary, if subsequent information indicates that the number of awards that are expected to vest differs from previous estimates. On the vesting date, the entity shall revise the estimate to equal the number of awards that ultimately vested.
33C	Market conditions, such as a target share price upon which vesting (or exercisability) is conditioned, as well as non-vesting conditions, shall be taken into account when estimating the fair value of the cash-settled share-based payment granted and when remeasuring the fair value at the end of each reporting period and at the date of settlement.
33D	As a result of applying paragraphs 30–33C, the cumulative amount ultimately recognised for goods or services received as consideration for the cash-settled share-based payment is equal to the cash that is paid.
33E	**Share-based payment transactions with a net settlement feature for withholding tax obligations** Tax laws or regulations may oblige an entity to withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount, normally in cash, to the tax authority on the employee's behalf. To fulfil this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment (ie the share-based payment arrangement has a 'net settlement feature').
33F	As an exception to the requirements in paragraph 34, the transaction described in paragraph 33E shall be classified in its entirety as an equity-settled share-based payment transaction if it would have been so classified in the absence of the net settlement feature.
33G	The entity applies paragraph 29 of this Standard to account for the withholding of shares to fund the payment to the tax authority in respect of the employee's tax obligation associated with the share-based payment. Therefore, the payment made shall be accounted for as a deduction from equity for the shares withheld, except to the extent that the payment exceeds the fair value at the net settlement date of the equity instruments withheld.
33H	The exception in paragraph 33F does not apply to:

	(a) a share-based payment arrangement with a net settlement feature for which there is no obligation on the entity under tax laws or regulations to withhold an amount for an employee's tax obligation associated with that share-based payment; or (b) any equity instruments that the entity withholds in excess of the employee's tax obligation associated with the share-based payment (ie the entity withheld an amount of shares that exceeds the monetary value of the employee's tax obligation). Such excess shares withheld shall be accounted for as a cash-settled share-based payment when this amount is paid in cash (or other assets) to the employee.
52	If the information required to be disclosed by this ~~SLFRS~~Standard does not satisfy the principles in paragraphs 44, 46 and 50, the entity shall disclose such additional information as is necessary to satisfy them. For example, if an entity has classified any share-based payment transactions as equity-settled in accordance with paragraph 33F, the entity shall disclose an estimate of the amount that it expects to transfer to the tax authority to settle the employee's tax obligation when it is necessary to inform users about the future cash flow effects associated with the share-based payment arrangement.
59A	~~*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*~~ An entity shall apply the amendments in paragraphs 30–31, 33–33H and B44A–B44C as set out below. Prior periods shall not be restated. (a) The amendments in paragraphs B44A–B44C apply only to modifications that occur on or after the date that an entity first applies the amendments. (b) The amendments in paragraphs 30–31 and 33–33D apply to share-based payment transactions that are unvested at the date that an entity first applies the amendments and to share-based payment transactions with a grant date on or after the date that an entity first applies the amendments. For unvested share-based payment transactions granted prior to the date that an entity first applies the amendments, an entity shall remeasure the liability at that date and recognise the effect of the remeasurement in opening retained earnings (or other component of equity, as appropriate) of the reporting period in which the amendments are first applied. (c) The amendments in paragraphs 33E–33H and the amendment to paragraph 52 apply to share-based payment transactions that are unvested (or vested but unexercised), at the date that an entity first applies the amendments and to share-based payment transactions with a grant date on or after the date that an entity first applies the amendments. For unvested (or vested but unexercised) share-based payment transactions (or components thereof) that were previously classified as cash-settled share-based payments but now are classified as equity-settled in accordance with the amendments, an entity shall reclassify the carrying value of the share-based payment liability to equity at the date that it first applies the amendments.
59B	~~*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*~~ Notwithstanding the requirements in paragraph 59A, an entity may apply the amendments in paragraph 63D retrospectively, subject to the transitional provisions in paragraphs 53–59 of this Standard, in accordance with LKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* if and only if it is possible without hindsight. If an entity elects retrospective application, it must do so for all of the amendments made by *Classification and Measurement of Share-based Payment Transactions* (Amendments to SLFRS 2).

63C	~~*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*~~ SLFRS 9, as issued in December 2014, amended paragraph 6. An entity shall apply that amendment when it applies SLFRS 9.
63D	~~*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*~~ *Classification and Measurement of Share-based Payment Transactions* (Amendments to SLFRS 2), issued in June 2016, amended paragraphs 19, 30–31, 33, 52 and 63 and added paragraphs 33A–33H, 59A–59B, 63D and B44A–B44C and their related headings. An entity shall apply those amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.
	Accounting for a modification of a share-based payment transaction that changes its classification from cash-settled to equity-settled
B44A	If the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Specifically: (a) The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date. The equity-settled share-based payment transaction is recognised in equity on the modification date to the extent to which goods or services have been received. (b) The liability for the cash-settled share-based payment transaction as at the modification date is derecognised on that date. (c) Any difference between the carrying amount of the liability derecognised and the amount of equity recognised on the modification date is recognised immediately in profit or loss.
B44B	If, as a result of the modification, the vesting period is extended or shortened, the application of the requirements in paragraph B44A reflect the modified vesting period. The requirements in paragraph B44A apply even if the modification occurs after the vesting period.
B44C	A cash-settled share-based payment transaction may be cancelled or settled (other than a transaction cancelled by forfeiture when the vesting conditions are not satisfied). If equity instruments are granted and, on that grant date, the entity identifies them as a replacement for the cancelled cash-settled share-based payment, the entity shall apply paragraphs B44A and B44B.

SLFRS 3 Business Combinations

Para Ref	Paragraph
10	**Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the ~~acquire~~acquiree**
16	In some situations, SLFRSs provide for different accounting depending on how an entity classifies or designates a particular asset or liability. Examples of classifications or designations that the acquirer shall make on the basis of the pertinent conditions as they exist at the acquisition date include but are not limited to:

	(a)- classification of particular financial assets and liabilities as ~~a financial asset or liability~~measured at fair value through profit or loss or at amortised cost, or as a financial asset ~~available for sale or held to maturity,~~measured at fair value through other comprehensive income in accordance with ~~LKAS 39~~SLFRS 9 *Financial Instruments~~:~~ ~~Recognition and Measurement~~*; (b)- designation of a derivative instrument as a hedging instrument in accordance with ~~LKAS 39~~SLFRS 9; and (c)- assessment of whether an embedded derivative should be separated from ~~the~~a host contract in accordance with ~~LKAS 39~~SLFRS 9 (which is a matter of 'classification' as this SLFRS uses that term).
31A	*[This paragraph refers to amendments that are not yet effect, and is therefore not included in this edition.]*
42	In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss~~.~~ or other comprehensive income, as appropriate. In prior reporting periods, the acquirer may have recognised changes in the value of its equity interest in the acquiree in other comprehensive income ~~(for example, because the investment was classified as available for sale).~~. If so, the amount that was recognised in other comprehensive income shall be recognised on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.
53	Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. The acquirer shall account for acquisition-~~-~~related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities shall be recognised in accordance with LKAS 32 and ~~LKAS 39.~~SLFRS 9.
56	**Contingent liabilities** After initial recognition and until the liability is settled, cancelled or expires, the acquirer shall measure a contingent liability recognised in a business combination at the higher of: (a)- the amount that would be recognised in accordance with LKAS 37; and (b)- the amount initially recognised less, if appropriate, the cumulative ~~amortization~~amount of income recognised in accordance with ~~LKAS 18~~the principles of SLFRS 15 *Revenue from Contracts with Customers*. This requirement does not apply to contracts accounted for in accordance with ~~LKAS 39~~SLFRS 9.
58	… (b)- Other contingent consideration that: (i)- is within the scope of SLFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with ~~that~~ SLFRS 9. (ii)- is not within the scope of SLFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

64K	~~*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*~~ SLFRS 15 *Revenue from Contracts with Customers*, issued in June 2014, amended paragraph 56. An entity shall apply that amendment when it applies SLFRS 15.
64L	~~*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*~~ SLFRS 9, as issued in December 2014, amended paragraphs 16, 42, 53, 56, 58 and B41 and deleted paragraphs 64A, 64D and 64H. An entity shall apply those amendments when it applies SLFRS 9.
64M	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*
64N	*[This paragraph refers to amendments that are not yet effect, and is therefore not included in this edition.]*
	Appendix A *contingent consideration* Usually, an obligation of the **acquirer** to transfer additional assets or **equity interests** to the former owners of an ~~**acquire**~~**acquiree** as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, *contingent consideration* also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.
B19	A reverse acquisition occurs when the entity that issues securities (the legal acquirer) is identified as the acquiree for accounting purposes on the basis of the guidance in paragraphs B13–B18. The entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition. For example, reverse acquisitions sometimes occur when a private operating entity wants to become a public entity but does not want to register its equity shares. To accomplish that, the private entity will arrange for a public entity to acquire its equity interests in exchange for the equity interests of the public entity. In this example, the public entity is the legal acquirer because it issued its equity interests, and the private entity is the legal ~~acquire~~acquiree because its equity interests were acquired. However, application of the guidance in paragraphs B13–B18 results in identifying: (a)- the public entity as the ~~acquire~~acquiree for accounting purposes (the accounting acquiree); and (b)- the private entity as the acquirer for accounting purposes (the accounting acquirer).
B41	**Measuring the fair value of particular identifiable assets and a non-controlling interest in an acquiree (application of ~~paragraph~~paragraphs 18 and 19)** **Assets with uncertain cash flows (valuation allowances)** The acquirer shall not recognise a separate valuation allowance as of the acquisition date for assets acquired in a business combination that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure. For example, because this SLFRS requires the acquirer to measure acquired receivables, including loans, at their acquisition-date fair values in accounting for a business combination, the acquirer does not recognise a separate valuation allowance for the contractual cash flows that are deemed to be uncollectible at that date or a loss allowance for expected credit losses.

SLFRS 4 Insurance Contracts

Para Ref	Paragraph
3	This SLFRS does not address other aspects of accounting by insurers, such as accounting for financial assets held by insurers and financial liabilities issued by insurers (see LKAS 32 *Financial Instruments: Presentation*, ~~LKAS 39~~SLFRS 7 and SLFRS 9 *Financial Instruments~~: Recognition and Measurement~~* ~~and SLFRS 7~~), except ~~in the transitional provisions in paragraph 45.~~: (a) paragraph 20A permits insurers that meet specified criteria to apply a temporary exemption from SLFRS 9; (b) paragraph 35B permits insurers to apply the overlay approach to designated financial assets; and (c) paragraph 45 permits insurers to reclassify in specified circumstances some or all of their financial assets so that the assets are measured at fair value through profit or loss.
4	An entity shall not apply this SLFRS to: (a)- product warranties issued directly by a manufacturer, dealer or retailer (see ~~LKAS 18~~SLFRS 15 *Revenue from Contracts with Customers* and LKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*). (b)- employers' assets and liabilities under employee benefit plans (see LKAS ~~19*Employee*~~19 *Employee Benefits* and SLFRS 2 *Share~~–~~-based Payment*) and retirement benefit obligations reported by defined benefit retirement plans (see LKAS 26 *Accounting and Reporting by Retirement Benefit Plans*). (c)- contractual rights or contractual obligations that are contingent on the future use of, or right to use, a non-financial item (for example, some licence fees, royalties, contingent lease payments and similar items), as well as a lessee's residual value guarantee embedded in a finance lease (see LKAS 17 *Leases*, ~~LKAS 18~~SLFRS 15 *Revenue from Contracts with Customers* and LKAS 38 *Intangible Assets*). (d)- financial guarantee contracts unless the issuer has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts, in which case the issuer may elect to apply either LKAS ~~39, LKAS~~ 32, SLFRS 7 and SLFRS ~~7~~9 or this SLFRS to such financial guarantee contracts. The issuer may make that election contract by contract, but the election for each contract is irrevocable.
5	For ease of reference, this SLFRS describes any entity that issues an insurance contract as an insurer, whether or not the issuer is regarded as an insurer for legal or supervisory purposes. All references in paragraphs 3(a)–3(b), 20A–20Q, 35B–35N, 39B–39M and 46–49 to an insurer shall be read as also referring to an issuer of a financial instrument that contains a discretionary participation feature.
7	**Embedded derivatives** ~~LKAS 39~~ SLFRS 9 requires an entity to separate some embedded derivatives from their host contract, measure them at *fair value* and include changes in their fair value in profit or loss. ~~LKAS 39~~SLFRS 9 applies to derivatives embedded in an insurance contract unless the embedded derivative is itself an insurance contract.

8	As an exception to the requirements in ~~LKAS 39~~SLFRS 9, an insurer need not separate, and measure at fair value, a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate), even if the exercise price differs from the carrying amount of the host *insurance liability*. However, the requirements in ~~LKAS 39~~SLFRS 9 do apply to a put option or cash surrender option embedded in an insurance contract if the surrender value varies in response to the change in a financial variable (such as an equity or commodity price or index), or a non-financial variable that is not specific to a party to the contract. Furthermore, those requirements also apply if the holder's ability to exercise a put option or cash surrender option is triggered by a change in such a variable (for example, a put option that can be exercised if a stock market index reaches a specified level).
12	To unbundle a contract, an insurer shall: (a)- apply this SLFRS to the insurance component. (b)- apply ~~LKAS 39~~SLFRS 9 to the deposit component.
	Temporary exemption from SLFRS 9
20A	**SLFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1 January 2018. However, for an insurer that meets the criteria in paragraph 20B, this SLFRS provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 *Financial Instruments: Recognition and Measurement* rather than SLFRS 9 for annual periods beginning before 1 January 2021. An insurer that applies the temporary exemption from SLFRS 9 shall:** **(a) use the requirements in SLFRS 9 that are necessary to provide the disclosures required in paragraphs 39B–39J of this SLFRS; and** **(b) apply all other applicable SLFRSs to its financial instruments, except as described in paragraphs 20A–20Q, 39B–39J and 46–47 of this SLFRS.**
20B	**An insurer may apply the temporary exemption from SLFRS 9 if, and only if:** **(a) it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss in paragraphs 5.7.1(c), 5.7.7–5.7.9, 7.2.14 and B5.7.5–B5.7.20 of SLFRS 9; and** **(b) its activities are predominantly connected with insurance, as described in paragraph 20D, at its annual reporting date that immediately precedes 1 April 2016, or at a subsequent annual reporting date as specified in paragraph 20G.**
20C	An insurer applying the temporary exemption from SLFRS 9 is permitted to elect to apply only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss in paragraphs 5.7.1(c), 5.7.7–5.7.9, 7.2.14 and B5.7.5–B5.7.20 of SLFRS 9. If an insurer elects to apply those requirements, it shall apply the relevant transition provisions in SLFRS 9, disclose the fact that it has applied those requirements and provide on an ongoing basis the related disclosures set out in paragraphs 10–11 of SLFRS 7 (as amended by SLFRS 9 (2010)).
20D	An insurer's activities are predominantly connected with insurance if, and only if: (a) the carrying amount of its liabilities arising from contracts within the scope of this SLFRS, which includes any deposit components or embedded derivatives unbundled from insurance contracts applying paragraphs 7–12 of this SLFRS, is significant compared to the total carrying amount of all its liabilities; and

	(b) the percentage of the total carrying amount of its liabilities connected with insurance (see paragraph 20E) relative to the total carrying amount of all its liabilities is: (i) greater than 90 per cent; or (ii) less than or equal to 90 per cent but greater than 80 per cent, and the insurer does not engage in a significant activity unconnected with insurance (see paragraph 20F).
20E	For the purposes of applying paragraph 20D(b), liabilities connected with insurance comprise: (a) liabilities arising from contracts within the scope of this SLFRS, as described in paragraph 20D(a); (b) non-derivative investment contract liabilities measured at fair value through profit or loss applying LKAS 39 (including those designated as at fair value through profit or loss to which the insurer has applied the requirements in SLFRS 9 for the presentation of gains and losses (see paragraphs 20B(a) and 20C)); and (c) liabilities that arise because the insurer issues, or fulfils obligations arising from, the contracts in (a) and (b). Examples of such liabilities include derivatives used to mitigate risks arising from those contracts and from the assets backing those contracts, relevant tax liabilities such as the deferred tax liabilities for taxable temporary differences on liabilities arising from those contracts, and debt instruments issued that are included in the insurer's regulatory capital.
20F	In assessing whether it engages in a significant activity unconnected with insurance for the purposes of applying paragraph 20D(b)(ii), an insurer shall consider: (a) only those activities from which it may earn income and incur expenses; and (b) quantitative or qualitative factors (or both), including publicly available information such as the industry classification that users of financial statements apply to the insurer.
20G	Paragraph 20B(b) requires an entity to assess whether it qualifies for the temporary exemption from SLFRS 9 at its annual reporting date that immediately precedes 1 April 2016. After that date: (a) an entity that previously qualified for the temporary exemption from SLFRS 9 shall reassess whether its activities are predominantly connected with insurance at a subsequent annual reporting date if, and only if, there was a change in the entity's activities, as described in paragraphs 20H–20I, during the annual period that ended on that date. (b) an entity that previously did not qualify for the temporary exemption from SLFRS 9 is permitted to reassess whether its activities are predominantly connected with insurance at a subsequent annual reporting date before 31 December 2018 if, and only if, there was a change in the entity's activities, as described in paragraphs 20H–20I, during the annual period that ended on that date.
20H	For the purposes of applying paragraph 20G, a change in an entity's activities is a change that: (a) is determined by the entity's senior management as a result of external or internal changes; (b) is significant to the entity's operations; and

	(c) is demonstrable to external parties. Accordingly, such a change occurs only when the entity begins or ceases to perform an activity that is significant to its operations or significantly changes the magnitude of one of its activities; for example, when the entity has acquired, disposed of or terminated a business line.
20I	A change in an entity's activities, as described in paragraph 20H, is expected to be very infrequent. The following are not changes in an entity's activities for the purposes of applying paragraph 20G: (a) a change in the entity's funding structure that in itself does not affect the activities from which the entity earns income and incurs expenses. (b) the entity's plan to sell a business line, even if the assets and liabilities are classified as held for sale applying SLFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. A plan to sell a business line could change the entity's activities and give rise to a reassessment in the future but has yet to affect the liabilities recognised on its statement of financial position.
20J	If an entity no longer qualifies for the temporary exemption from SLFRS 9 as a result of a reassessment (see paragraph 20G(a)), then the entity is permitted to continue to apply the temporary exemption from SLFRS 9 only until the end of the annual period that began immediately after that reassessment. Nevertheless, the entity must apply SLFRS 9 for annual periods beginning on or after 1 January 2021. For example, if an entity determines that it no longer qualifies for the temporary exemption from SLFRS 9 applying paragraph 20G(a) on 31 December 2018 (the end of its annual period), then the entity is permitted to continue to apply the temporary exemption from SLFRS 9 only until 31 December 2019.
20K	An insurer that previously elected to apply the temporary exemption from SLFRS 9 may at the beginning of any subsequent annual period irrevocably elect to apply SLFRS 9.
20L:	**First-time adopter** A first-time adopter, as defined in SLFRS 1 *First-time Adoption of Sri Lanka Accounting Standard s*, may apply the temporary exemption from SLFRS 9 described in paragraph 20A if, and only if, it meets the criteria described in paragraph 20B. In applying paragraph 20B(b), the first-time adopter shall use the carrying amounts determined applying SLFRSs at the date specified in that paragraph.
20M	SLFRS 1 contains requirements and exemptions applicable to a first-time adopter. Those requirements and exemptions (for example, paragraphs D16–D17 of SLFRS 1) do not override the requirements in paragraphs 20A–20Q and 39B–39J of this SLFRS. For example, the requirements and exemptions in SLFRS 1 do not override the requirement that a first-time adopter must meet the criteria specified in paragraph 20L to apply the temporary exemption from SLFRS 9.
20N	A first-time adopter that discloses the information required by paragraphs 39B–39J shall use the requirements and exemptions in SLFRS 1 that are relevant to making the assessments required for those disclosures.
20O	**Temporary exemption from specific requirements in LKAS 28** Paragraphs 35–36 of LKAS 28 *Investments in Associates and Joint Ventures* require an entity to apply uniform accounting policies when using the equity method. Nevertheless, for annual periods beginning before 1 January 2021, an entity is permitted, but not required, to retain the relevant accounting policies applied by the associate or joint venture as follows:

	(a) the entity applies SLFRS 9 but the associate or joint venture applies the temporary exemption from SLFRS 9; or (b) the entity applies the temporary exemption from SLFRS 9 but the associate or joint venture applies SLFRS 9.
20P	When an entity uses the equity method to account for its investment in an associate or joint venture: (a) if SLFRS 9 was previously applied in the financial statements used to apply the equity method to that associate or joint venture (after reflecting any adjustments made by the entity), then SLFRS 9 shall continue to be applied. (b) if the temporary exemption from SLFRS 9 was previously applied in the financial statements used to apply the equity method to that associate or joint venture (after reflecting any adjustments made by the entity), then SLFRS 9 may be subsequently applied.
20Q	An entity may apply paragraphs 20O and 20P(b) separately for each associate or joint venture.
34	Some insurance contracts contain a discretionary participation feature as well as a *guaranteed element*. The issuer of such a contract: …… (d)- shall, if the contract contains an embedded derivative within the scope of ~~LKAS 39~~SLFRS 9, apply ~~LKAS 39~~SLFRS 9 to that embedded derivative. …..
35	The requirements in paragraph 34 also apply to a financial instrument that contains a discretionary participation feature. In addition: (a)- if the issuer classifies the entire discretionary participation feature as a liability, it shall apply the liability adequacy test in paragraphs 15–19 to the whole contract (ie both the guaranteed element and the discretionary participation feature). The issuer need not determine the amount that would result from applying ~~LKAS 39~~SLFRS 9 to the guaranteed element. (b)- if the issuer classifies part or all of that feature as a separate component of equity, the liability recognised for the whole contract shall not be less than the amount that would result from applying ~~LKAS 39~~SLFRS 9 to the guaranteed element. That amount shall include the intrinsic value of an option to surrender the contract, but need not include its time value if paragraph 9 exempts that option from measurement at fair value. The issuer need not disclose the amount that would result from applying ~~LKAS 39~~SLFRS 9 to the guaranteed element, nor need it present that amount separately. Furthermore, the issuer need not determine that amount if the total liability recognised is clearly higher. (c)- although these contracts are financial instruments, the issuer may continue to recognise the premiums for those contracts as revenue and recognise as an expense the resulting increase in the carrying amount of the liability. (d)- although these contracts are financial instruments, an issuer applying paragraph 20(b) of SLFRS 7 to contracts with a discretionary participation feature shall disclose the total interest expense recognised in profit or loss, but need not calculate such interest expense using the effective interest method.

35A	The temporary exemptions in paragraphs 20A, 20L and 20O and the overlay approach in paragraph 35B are also available to an issuer of a financial instrument that contains a discretionary participation feature. Accordingly, all references in paragraphs 3(a)–3(b), 20A–20Q, 35B–35N, 39B–39M and 46–49 to an insurer shall be read as also referring to an issuer of a financial instrument that contains a discretionary participation feature.
	Presentation **The overlay approach**
35B	**An insurer is permitted, but not required, to apply the overlay approach to designated financial assets. An insurer that applies the overlay approach shall:** **(a) reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if the insurer had applied LKAS 39 to the designated financial assets. Accordingly, the amount reclassified is equal to the difference between:** **(i) the amount reported in profit or loss for the designated financial assets applying SLFRS 9; and** **(ii) the amount that would have been reported in profit or loss for the designated financial assets if the insurer had applied LKAS 39.** **(b) apply all other applicable SLFRSs to its financial instruments, except as described in paragraphs 35B–35N, 39K–39M and 48–49 of this SLFRS.**
35C	**An insurer may elect to apply the overlay approach described in paragraph 35B only when it first applies SLFRS 9, including when it first applies SLFRS 9 after previously applying:** **(a) the temporary exemption from SLFRS 9 described in paragraph 20A; or** **(b) only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss in paragraphs 5.7.1(c), 5.7.7–5.7.9, 7.2.14 and B5.7.5–B5.7.20 of SLFRS 9.**
35D	An insurer shall present the amount reclassified between profit or loss and other comprehensive income applying the overlay approach: (a) in profit or loss as a separate line item; and (b) in other comprehensive income as a separate component of other comprehensive income.
35E	A financial asset is eligible for designation for the overlay approach if, and only if, the following criteria are met: (a) it is measured at fair value through profit or loss applying SLFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying LKAS 39; and (b) it is not held in respect of an activity that is unconnected with contracts within the scope of this SLFRS. Examples of financial assets that would not be eligible for the overlay approach are those assets held in respect of banking activities or financial assets held in funds relating to investment contracts that are outside the scope of this SLFRS.

35F	An insurer may designate an eligible financial asset for the overlay approach when it elects to apply the overlay approach (see paragraph 35C). Subsequently, it may designate an eligible financial asset for the overlay approach when, and only when: (a) that asset is initially recognised; or (b) that asset newly meets the criterion in paragraph 35E(b) having previously not met that criterion.
35G	An insurer is permitted to designate eligible financial assets for the overlay approach applying paragraph 35F on an instrument-by-instrument basis.
35H	When relevant, for the purposes of applying the overlay approach to a newly designated financial asset applying paragraph 35F(b): (a) its fair value at the date of designation shall be its new amortised cost carrying amount; and (b) the effective interest rate shall be determined based on its fair value at the date of designation.
35I	An entity shall continue to apply the overlay approach to a designated financial asset until that financial asset is derecognised. However, an entity: (a) shall de-designate a financial asset when the financial asset no longer meets the criterion in paragraph 35E(b). For example, a financial asset will no longer meet that criterion when an entity transfers that asset so that it is held in respect of its banking activities or when an entity ceases to be an insurer. (b) may, at the beginning of any annual period, stop applying the overlay approach to all designated financial assets. An entity that elects to stop applying the overlay approach shall apply LKAS 8 to account for the change in accounting policy.
35J	When an entity de-designates a financial asset applying paragraph 35I(a), it shall reclassify from accumulated other comprehensive income to profit or loss as a reclassification adjustment (see LKAS 1) any balance relating to that financial asset.
35K	If an entity stops using the overlay approach applying the election in paragraph 35I(b) or because it is no longer an insurer, it shall not subsequently apply the overlay approach. An insurer that has elected to apply the overlay approach (see paragraph 35C) but has no eligible financial assets (see paragraph 35E) may subsequently apply the overlay approach when it has eligible financial assets.
35L	**Interaction with other requirements** Paragraph 30 of this SLFRS permits a practice that is sometimes described as 'shadow accounting'. If an insurer applies the overlay approach, shadow accounting may be applicable.
35M	Reclassifying an amount between profit or loss and other comprehensive income applying paragraph 35B may have consequential effects for including other amounts in other comprehensive income, such as income taxes. An insurer shall apply the relevant SLFRS, such as LKAS 12 *Income Taxes*, to determine any such consequential effects.
35N	*First-time adopter* If a first-time adopter elects to apply the overlay approach, it shall restate comparative information to reflect the overlay approach if, and only if, it restates comparative information to comply with SLFRS 9 (see paragraphs E1–E2 of SLFRS 1).

	Disclosures about the temporary exemption from SLFRS 9
39B	**An insurer that elects to apply the temporary exemption from SLFRS 9 shall disclose information to enable users of financial statements:** **(a) to understand how the insurer qualified for the temporary exemption; and** **(b) to compare insurers applying the temporary exemption with entities applying SLFRS 9.**
39C	To comply with paragraph 39B(a), an insurer shall disclose the fact that it is applying the temporary exemption from SLFRS 9 and how the insurer concluded on the date specified in paragraph 20B(b) that it qualifies for the temporary exemption from SLFRS 9, including: (a) if the carrying amount of its liabilities arising from contracts within the scope of this SLFRS (ie those liabilities described in paragraph 20E(a)) was less than or equal to 90 per cent of the total carrying amount of all its liabilities, the nature and carrying amounts of the liabilities connected with insurance that are not liabilities arising from contracts within the scope of this SLFRS (ie those liabilities described in paragraphs 20E(b) and 20E(c)); (b) if the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities was less than or equal to 90 per cent but greater than 80 per cent, how the insurer determined that it did not engage in a significant activity unconnected with insurance, including what information it considered; and (c) if the insurer qualified for the temporary exemption from SLFRS 9 on the basis of a reassessment applying paragraph 20G(b): (i) the reason for the reassessment; (ii) the date on which the relevant change in its activities occurred; and (iii) a detailed explanation of the change in its activities and a qualitative description of the effect of that change on the insurer's financial statements.
39D	If, applying paragraph 20G(a), an entity concludes that its activities are no longer predominantly connected with insurance, it shall disclose the following information in each reporting period before it begins to apply SLFRS 9: (a) the fact that it no longer qualifies for the temporary exemption from SLFRS 9; (b) the date on which the relevant change in its activities occurred; and (c) a detailed explanation of the change in its activities and a qualitative description of the effect of that change on the entity's financial statements.
39E	To comply with paragraph 39B(b), an insurer shall disclose the fair value at the end of the reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately: (a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (ie financial assets that meet the condition in paragraphs 4.1.2(b) and 4.1.2A(b) of SLFRS 9), excluding any financial asset that meets the definition of held for trading in SLFRS 9, or that is managed and whose performance is evaluated on a fair value basis (see paragraph B4.1.6 of SLFRS 9).

	(b) all financial assets other than those specified in paragraph 39E(a); that is, any financial asset: (i) with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; (ii) that meets the definition of held for trading in SLFRS 9; or (iii) that is managed and whose performance is evaluated on a fair value basis.
39F	When disclosing the information in paragraph 39E, the insurer: (a) may deem the carrying amount of the financial asset measured applying LKAS 39 to be a reasonable approximation of its fair value if the insurer is not required to disclose its fair value applying paragraph 29(a) of SLFRS 7 (eg short-term trade receivables); and (b) shall consider the level of detail necessary to enable users of financial statements to understand the characteristics of the financial assets.
39G	To comply with paragraph 39B(b), an insurer shall disclose information about the credit risk exposure, including significant credit risk concentrations, inherent in the financial assets described in paragraph 39E(a). At a minimum, an insurer shall disclose the following information for those financial assets at the end of the reporting period: (a) by credit risk rating grades as defined in SLFRS 7, the carrying amounts applying LKAS 39 (in the case of financial assets measured at amortised cost, before adjusting for any impairment allowances). (b) for the financial assets described in paragraph 39E(a) that do not have low credit risk at the end of the reporting period, the fair value and the carrying amount applying LKAS 39 (in the case of financial assets measured at amortised cost, before adjusting for any impairment allowances). For the purposes of this disclosure, paragraph B5.5.22 of SLFRS 9 provides the relevant requirements for assessing whether the credit risk on a financial instrument is considered low.
39H	To comply with paragraph 39B(b), an insurer shall disclose information about where a user of financial statements can obtain any publicly available SLFRS 9 information that relates to an entity within the group that is not provided in the group's consolidated financial statements for the relevant reporting period. For example, such SLFRS 9 information could be obtained from the publicly available individual or separate financial statements of an entity within the group that has applied SLFRS 9.
39I	If an entity elected to apply the exemption in paragraph 20O from particular requirements in LKAS 28, it shall disclose that fact.
39J	If an entity applied the temporary exemption from SLFRS 9 when accounting for its investment in an associate or joint venture using the equity method (for example, see paragraph 20O(a)), the entity shall disclose the following, in addition to the information required by SLFRS 12 *Disclosure of Interests in Other Entities*: (a) the information described by paragraphs 39B–39H for each associate or joint venture that is material to the entity. The amounts disclosed shall be those included in the SLFRS financial statements of the associate or joint venture after reflecting any

	adjustments made by the entity when using the equity method (see paragraph B14(a) of SLFRS 12), rather than the entity's share of those amounts. (b) the quantitative information described by paragraphs 39B–39H in aggregate for all individually immaterial associates or joint ventures. The aggregate amounts: (i) disclosed shall be the entity's share of those amounts; and (ii) for associates shall be disclosed separately from the aggregate amounts disclosed for joint ventures.
	Disclosures about the overlay approach
39K	**An insurer that applies the overlay approach shall disclose information to enable users of financial statements to understand:** **(a) how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and** **(b) the effect of that reclassification on the financial statements.**
39L	To comply with paragraph 39K, an insurer shall disclose: (a) the fact that it is applying the overlay approach; (b) the carrying amount at the end of the reporting period of financial assets to which the insurer applies the overlay approach by class of financial asset; (c) the basis for designating financial assets for the overlay approach, including an explanation of any designated financial assets that are held outside the legal entity that issues contracts within the scope of this SLFRS; (d) an explanation of the total amount reclassified between profit or loss and other comprehensive income in the reporting period in a way that enables users of financial statements to understand how that amount is derived, including: (i) the amount reported in profit or loss for the designated financial assets applying SLFRS 9; and (ii) the amount that would have been reported in profit or loss for the designated financial assets if the insurer had applied LKAS 39. (e) the effect of the reclassification described in paragraphs 35B and 35M on each affected line item in profit or loss; and (f) if during the reporting period the insurer has changed the designation of financial assets: (i) the amount reclassified between profit or loss and other comprehensive income in the reporting period relating to newly designated financial assets applying the overlay approach (see paragraph 35F(b)); (ii) the amount that would have been reclassified between profit or loss and other comprehensive income in the reporting period if the financial assets had not been de-designated (see paragraph 35I(a)); and (iii) the amount reclassified in the reporting period to profit or loss from accumulated other comprehensive income for financial assets that have been de-designated (see paragraph 35J).

39M	If an entity applied the overlay approach when accounting for its investment in an associate or joint venture using the equity method, the entity shall disclose the following, in addition to the information required by SLFRS 12: (a) the information described by paragraphs 39K–39L for each associate or joint venture that is material to the entity. The amounts disclosed shall be those included in the SLFRS financial statements of the associate or joint venture after reflecting any adjustments made by the entity when using the equity method (see paragraph B14(a) of SLFRS 12), rather than the entity's share of those amounts. (b) the quantitative information described by paragraphs 39K–39L(d) and 39L(f), and the effect of the reclassification described in paragraph 35B on profit or loss and other comprehensive income in aggregate for all individually immaterial associates or joint ventures. The aggregate amounts: (i) disclosed shall be the entity's share of those amounts; and (ii) for associates shall be disclosed separately from the aggregate amounts disclosed for joint ventures.
41C – 41D	[Deleted]
41G – 41H	~~*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*~~
41G	SLFRS 15 *Revenue from Contracts with Customers*, issued in June 2014, amended paragraphs ~~*refer*~~4(a) and (c), B7, B18(h) and B21. An entity shall apply those amendments when it applies SLFRS 15.
41H	SLFRS 9, as issued in December 2014, amended paragraphs 3, 4, 7, 8, 12, 34, 35, 45, Appendix A and paragraphs B18–B20 and deleted paragraphs 41C, 41D and 41F. An entity shall apply those amendments when it applies SLFRS 9.
41I	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*
45	**Redesignation of financial assets** ~~When~~Notwithstanding paragraph 4.4.1 of SLFRS 9, when an insurer changes its accounting policies for insurance liabilities, it is permitted, but not required, to reclassify some or all of its financial assets ~~as '~~so that they are measured at fair value through profit or ~~loss'~~loss. This reclassification is permitted if an insurer changes accounting policies when it first applies this SLFRS and if it makes a subsequent policy change permitted by paragraph 22. The reclassification is a change in accounting policy and LKAS 8 applies.
	Applying SLFRS 4 with SLFRS 9 **Temporary exemption from SLFRS 9**
46	*Applying SLFRS 9* Financial Instruments *with SLFRS 4* Insurance Contracts (Amendments to SLFRS 4), issued in October 2016, amended paragraphs 3 and 5, and added paragraphs 20A–20Q, 35A and 39B–39J and headings after paragraphs 20, 20K, 20N and 39A. An entity shall apply those amendments, which permit insurers that meet specified criteria to apply a temporary exemption from SLFRS 9, for annual periods beginning on or after 1 January 2018.

47	An entity that discloses the information required by paragraphs 39B–39J shall use the transitional provisions in SLFRS 9 that are relevant to making the assessments required for those disclosures. The date of initial application for that purpose shall be deemed to be the beginning of the first annual period beginning on or after 1 January 2018.
48	**The overlay approach** *Applying SLFRS 9* Financial Instruments *with SLFRS 4* Insurance Contracts (Amendments to SLFRS 4), issued in October 2016, amended paragraphs 3 and 5, and added paragraphs 35A–35N and 39K–39M and headings after paragraphs 35A, 35K, 35M and 39J. An entity shall apply those amendments, which permit insurers to apply the overlay approach to designated financial assets, when it first applies SLFRS 9 (see paragraph 35C).
49	An entity that elects to apply the overlay approach shall: (a) apply that approach retrospectively to designated financial assets on transition to SLFRS 9. Accordingly, for example, the entity shall recognise as an adjustment to the opening balance of accumulated other comprehensive income an amount equal to the difference between the fair value of the designated financial assets determined applying SLFRS 9 and their carrying amount determined applying LKAS 39. (b) restate comparative information to reflect the overlay approach if, and only if, the entity restates comparative information applying SLFRS 9.
Appendix A	**deposit component** A contractual component that is not accounted for as a derivative under ~~LKAS 39~~SLFRS 9 and would be within the scope of ~~LKAS 39~~SLFRS 9 if it were a separate instrument.
B7	Applying the SLFRS to the contracts described in paragraph B6 is likely to be no more burdensome than applying the SLFRSs that would be applicable if such contracts were outside the scope of this SLFRS: (a)- There are unlikely to be material liabilities for malfunctions and breakdowns that have already occurred. (b)- If ~~LKAS 18 *Revenue*~~SLFRS 15 applied, the service provider would recognise revenue ~~by reference~~when (or as) it transfers services to the ~~stage of completion (and~~ customer (subject to other specified criteria). That approach is also acceptable under this SLFRS, which permits the service provider (i) to continue its existing accounting policies for these contracts unless they involve practices prohibited by paragraph 14 and (ii) to improve its accounting policies if so permitted by paragraphs 22–30. ……
B18	**Examples of insurance contracts** The following are examples of contracts that are insurance contracts, if the transfer of insurance risk is significant: …….. (g)- credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. These contracts could have various legal forms, such as that of a guarantee, some types of letter of credit, a credit derivative default contract or an insurance contract. However, although

	these contracts meet the definition of an insurance contract, they also meet the definition of a financial guarantee contract in ~~LKAS 39~~SLFRS 9 and are within the scope of LKAS 32[2] and ~~LKAS 39~~SLFRS 9, not this SLFRS (see paragraph 4(d)). Nevertheless, if an issuer of financial guarantee contracts has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts, the issuer may elect to apply either LKAS ~~39~~32[3] and ~~LKAS 32~~[4]SLFRS 9 or this SLFRS to such financial guarantee contracts. (h)- product warranties. Product warranties issued by another party for goods sold by a manufacturer, dealer or retailer are within the scope of this SLFRS. However, product warranties issued directly by a manufacturer, dealer or retailer are outside its scope, because they are within the scope of ~~LKAS 18~~SLFRS 15 and LKAS 37. 4. When an entity applies IFRS 7, the reference to LKAS 32 is replaced by a reference to SLFRS 7.
B19	The following are examples of items that are not insurance contracts: …… (e)- derivatives that expose one party to financial risk but not insurance risk, because they require that party to make payment based solely on changes in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (see ~~LKAS 39~~SLFRS 9). (f)- a credit-related guarantee (or letter of credit, credit derivative default contract or credit insurance contract) that requires payments even if the holder has not incurred a loss on the failure of the debtor to make payments when due (see ~~LKAS 39~~SLFRS 9). …….
B20	If the contracts described in paragraph B19 create financial assets or financial liabilities, they are within the scope of ~~LKAS 39~~SLFRS 9. Among other things, this means that the parties to the contract use what is sometimes called deposit accounting, which involves the following: ….
B21	If the contracts described in paragraph B19 do not create financial assets or financial liabilities, ~~LKAS 18~~SLFRS 15 applies. Under ~~LKAS 18~~SLFRS 15, revenue ~~associated with a transaction involving the rendering of services~~ is recognised when (or as) an entity satisfies a performance obligation by ~~reference~~transferring a promised good or service to a customer in an amount that reflects the consideration to which the ~~stage of completion of the transaction if the outcome of the transaction can~~entity expects to be ~~estimated reliably~~entitled.

2 When an entity applies ~~SLFRS~~IFRS 7, the reference to ~~LKAS~~IAS 32 is replaced by a reference to ~~SLFRS~~IFRS 7.
3 When an entity applies IFRS 7, the reference to IAS 32 is replaced by a reference to IFRS 7.
4 ~~When an entity applies SLFRS 7, the reference to LKAS 32 is replaced by a reference to SLFRS 7.~~

SLFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Para Ref	Paragraph
5	The measurement provisions of this SLFRS[3] do not apply to the following assets, which are covered by the SLFRSs listed, either as individual assets or as part of a disposal group: …….. (c)- financial assets within the scope of ~~LKAS 39~~SLFRS 9 *Financial Instruments~~:~~* ~~*Recognition and Measurement*~~. ……. 3 Other than paragraphs 18 and 19, which require the assets in question to be measured in accordance with other applicable SLFRSs.
33	An entity shall disclose: (a)- a single amount in the statement of comprehensive income comprising the total of: (i)- the post-tax profit or loss of discontinued operations and (ii)- the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation. (b)- an analysis of the single amount in (a) into: (i)- the revenue, expenses and pre-tax profit or loss of discontinued operations; (ii)- the related income tax expense as required by paragraph 81(h) of LKAS 12~~; and~~. (iii)- the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation~~.~~; and (iv) the related income tax expense as required by paragraph 81(h) of LKAS 12. ……
44J - 44K	~~*[These paragraphs refer to* amendments *that are not yet effective, and are therefore not included in this edition.]*~~
44J	[Deleted]
44K	SLFRS 9, as issued in December 2014, amended paragraph 5 and deleted paragraphs 44F and 44J. An entity shall apply those when it applies SLFRS 9.
44M	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

SLFRS 6 *Exploration for and Evaluation of Mineral Resources*

No changes

SLFRS 7 *Financial Instruments: Disclosures*

Due to the considerable amount of changes, the full standard has been included.

SLFRS 8 Operating Segments

No changes

SLFRS 10 *Consolidated Financial Statements*

No changes

SLFRS 11 Joint Arrangements

Para Ref	Paragraph
26	**Separate financial statements** **In its separate financial statements, a joint operator or joint ~~venture~~venturer shall account for its interest in:** **(a)- a joint operation in accordance with paragraphs 20–22;** **(b)- a joint venture in accordance with paragraph 10 of LKAS 27 *Separate Financial Statements*.**

SLFRS 12 Disclosure of Interests in Other Entities

No changes

SLFRS 13 *Fair Value Measurement*

Para Ref	Paragraph	Remarks
52	The exception in paragraph 48 applies only to financial assets, financial liabilities and other contracts within the scope of SLFRS 9 *Financial Instruments* (or LKAS 39 *Financial Instruments: Recognition and Measurement*~~—or~~, if SLFRS 9 ~~*Financial Instruments*.~~has not yet been adopted). The references to financial assets and financial liabilities in paragraphs 48–51 and 53–56 should be read as applying to all contracts within the scope of, and accounted for in accordance with, ~~LKAS 39 or SLFRS 9,~~SLFRS 9 (or LKAS 39, if SLFRS 9 has not yet been adopted), regardless of whether they meet the definitions of financial assets or financial liabilities in LKAS 32 *Financial Instruments: Presentation*.	
C5	SLFRS 9, as issued in July 2014, amended paragraph 52. An entity shall apply that amendment when it applies SLFRS 9.	

SLFRS 14 ***Regulatory Deferral Accounts***

No changes

The *Conceptual Framework for Financial Reporting*

No changes

Sri Lanka Accounting Standard – SLFRS 7

Financial Instruments: Disclosures

Sri Lanka Accounting Standard-SLFRS 7 *Financial Instruments: Disclosures* is set out in paragraphs 1–44DD and Appendices A–B. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in Appendix A are in *italics* the first time they appear in the Standard. Definitions of other terms are given in the Glossary for Sri Lanka Accounting Standards. SLFRS 7 should be read in the context of its objective, *Preface to Sri Lanka Accounting Standards* and the *Conceptual Framework for Financial Reporting*. LKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

1 The objective of this SLFRS is to require entities to provide disclosures in their financial statements that enable users to evaluate:

(a) the significance of financial instruments for the entity's financial position and performance; and

(b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

2 The principles in this SLFRS complement the principles for recognising, measuring and presenting financial assets and financial liabilities in LKAS 32 *Financial Instruments*: Presentation and SLFRS 9 *Financial Instruments*.

Scope

3 This SLFRS shall be applied by all entities to all types of financial instruments, except:

(a) those interests in subsidiaries, associates or joint ventures that are accounted for in accordance with SLFRS 10 *Consolidated Financial Statements*, LKAS 27 *Separate Financial Statements* or LKAS 28 *Investments in Associates and Joint Ventures*. However, in some cases, SLFRS 10, LKAS 27 or LKAS 28 require or permit an entity to account for an interest in a subsidiary, associate or joint venture using SLFRS 9; in those cases, entities shall apply the requirements of this SLFRS and, for those measured at fair value, the requirements of SLFRS 13 *Fair Value Measurement*. Entities shall also apply this SLFRS to all derivatives linked to interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in LKAS 32.

(b) employers' rights and obligations arising from employee benefit plans, to which LKAS 19 *Employee Benefits* applies.

(c) [deleted]

(d) insurance contracts as defined in SLFRS 4 *Insurance Contracts*. However, this SLFRS applies to derivatives that are embedded in insurance contracts if SLFRS 9 requires the entity to account for them separately. Moreover, an issuer shall apply this SLFRS to financial guarantee contracts if the issuer applies SLFRS 9 in recognising and measuring the contracts, but shall apply SLFRS 4 if the issuer elects, in accordance with paragraph 4(d) of SLFRS 4, to apply SLFRS 4 in recognising and measuring them.

(e) financial instruments, contracts and obligations under share-based payment transactions to which SLFRS 2 *Share-based Payment* applies, except that this SLFRS applies to contracts within the scope of SLFRS 9.

(f) instruments that are required to be classified as equity instruments in accordance with paragraphs 16A and 16B or paragraphs 16C and 16D of LKAS 32.

4 This SLFRS applies to recognised and unrecognised financial instruments. Recognised financial instruments include financial assets and financial liabilities that are within the scope of SLFRS 9. Unrecognised financial instruments include some financial instruments that, although outside the scope of SLFRS 9, are within the scope of this SLFRS.

5 This SLFRS applies to contracts to buy or sell a non-financial item that are within the scope of SLFRS 9.

5A The credit risk disclosure requirements in paragraphs 35A–35N apply to those rights that SLFRS 15 *Revenue from Contracts with Customers* specifies are accounted for in accordance with SLFRS 9 for the purposes of recognising impairment gains or losses. Any reference to financial assets or financial instruments in these paragraphs shall include those rights unless otherwise specified.

Classes of financial instruments and level of disclosure

6 When this SLFRS requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position.

Significance of financial instruments for financial position and performance

7 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.

Statement of financial position

Categories of financial assets and financial liabilities

8 The carrying amounts of each of the following categories, as specified in SLFRS 9, shall be disclosed either in the statement of financial position or in the notes:

(a) financial assets measured at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of SLFRS 9 and (ii) those mandatorily measured at fair value through profit or loss in accordance with SLFRS 9.

(b)–(d) [deleted]

(e) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of SLFRS 9 and (ii) those that meet the definition of held for trading in SLFRS 9.

(f) financial assets measured at amortised cost.

(g) financial liabilities measured at amortised cost.

(h) financial assets measured at fair value through other comprehensive income, showing separately (i) financial assets that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SLFRS 9; and (ii) investments in equity instruments designated as such upon initial recognition in accordance with paragraph 5.7.5 of SLFRS 9.

Financial assets or financial liabilities at fair value through profit or loss

9 If the entity has designated as measured at fair value through profit or loss a financial asset (or group of financial assets) that would otherwise be measured at fair value through other comprehensive income or amortised cost, it shall disclose:

(a) the maximum exposure to credit risk (see paragraph 36(a)) of the financial asset (or group of financial assets) at the end of the reporting period.

(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk (see paragraph 36(b)).

(c) the amount of change, during the period and cumulatively, in the fair value of the financial asset (or group of financial assets) that is attributable to changes in the credit risk of the financial asset determined either:

(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or

(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.

Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates.

(d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the financial asset was designated.

10 If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of SLFRS 9 and is required to present the effects of changes in that liability's credit risk in other comprehensive income (see paragraph 5.7.7 of SLFRS 9), it shall disclose:

(a) the amount of change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13–B5.7.20 of SLFRS 9 for guidance on determining the effects of changes in a liability's credit risk).

(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

(c) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.

(d) if a liability is derecognised during the period, the amount (if any) presented in other comprehensive income that was realised at derecognition.

10A If an entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of SLFRS 9 and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in profit or loss (see paragraphs 5.7.7 and 5.7.8 of SLFRS 9), it shall disclose:

(a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13–B5.7.20 of SLFRS 9 for guidance on determining the effects of changes in a liability's credit risk); and

(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

11 The entity shall also disclose:

(a) a detailed description of the methods used to comply with the requirements in paragraphs 9(c), 10(a) and 10A(a) and paragraph 5.7.7(a) of SLFRS 9, including an explanation of why the method is appropriate.

(b) if the entity believes that the disclosure it has given, either in the statement of financial position or in the notes, to comply with the requirements in paragraph 9(c), 10(a) or 10A(a) or paragraph 5.7.7(a) of SLFRS 9 does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.

(c) a detailed description of the methodology or methodologies used to determine whether presenting the effects of changes in a liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss (see paragraphs 5.7.7 and 5.7.8 of SLFRS 9). If an entity is required to present the effects of changes in a liability's credit risk in profit or loss (see paragraph 5.7.8 of SLFRS 9), the disclosure must include a detailed description of the economic relationship described in paragraph B5.7.6 of SLFRS 9.

Investments in equity instruments designated at fair value through other comprehensive income

11A If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by paragraph 5.7.5 of SLFRS 9, it shall disclose:

(a) which investments in equity instruments have been designated to be measured at fair value through other comprehensive income.

(b) the reasons for using this presentation alternative.

(c) the fair value of each such investment at the end of the reporting period.

(d) dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period.

(e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.

11B If an entity derecognised investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose:

(a) the reasons for disposing of the investments.

(b) the fair value of the investments at the date of derecognition.

(c) the cumulative gain or loss on disposal.

Reclassification

12–12A [Deleted]

12B An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.4.1 of SLFRS 9. For each such event, an entity shall disclose:

(a) the date of reclassification.

(b) a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements.

(c) the amount reclassified into and out of each category.

12C For each reporting period following reclassification until derecognition, an entity shall disclose for assets reclassified out of the fair value through profit or loss category so that they are measured at amortised cost or fair value through other comprehensive income in accordance with paragraph 4.4.1 of SLFRS 9:

(a) the effective interest rate determined on the date of reclassification; and

(b) the interest revenue recognised.

12D If, since its last annual reporting date, an entity has reclassified financial assets out of the fair value through other comprehensive income category so that they are measured at amortised cost or out of the fair value through profit or loss category so that they are measured at amortised cost or fair value through other comprehensive income it shall disclose:

(a) the fair value of the financial assets at the end of the reporting period; and

(b) the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income during the reporting period if the financial assets had not been reclassified.

13 [Deleted]

Offsetting financial assets and financial liabilities

13A The disclosures in paragraphs 13B–13E supplement the other disclosure requirements of this SLFRS and are required for all recognised financial instruments that are set off in accordance with paragraph 42 of LKAS 32. These disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with paragraph 42 of LKAS 32.

13B An entity shall disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. This includes the effect or potential effect of rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities that are within the scope of paragraph 13A.

13C To meet the objective in paragraph 13B, an entity shall disclose, at the end of the reporting period, the following quantitative information separately for recognised financial assets and recognised financial liabilities that are within the scope of paragraph 13A:

(a) the gross amounts of those recognised financial assets and recognised financial liabilities;

(b) the amounts that are set off in accordance with the criteria in paragraph 42 of LKAS 32 when determining the net amounts presented in the statement of financial position;

(c) the net amounts presented in the statement of financial position;

(d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 13C(b), including:

(i) amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in paragraph 42 of LKAS 32; and

(ii) amounts related to financial collateral (including cash collateral); and

(e) the net amount after deducting the amounts in (d) from the amounts in (c) above.

The information required by this paragraph shall be presented in a tabular format, separately for financial assets and financial liabilities, unless another format is more appropriate.

13D The total amount disclosed in accordance with paragraph 13C(d) for an instrument shall be limited to the amount in paragraph 13C(c) for that instrument.

13E An entity shall include a description in the disclosures of the rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements that are disclosed in accordance with paragraph 13C(d), including the nature of those rights.

13F If the information required by paragraphs 13B–13E is disclosed in more than one note to the financial statements, an entity shall cross-refer between those notes.

Collateral

14 An entity shall disclose:

(a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 3.2.23(a) of SLFRS 9; and

(b) the terms and conditions relating to its pledge.

15 When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:

(a) the fair value of the collateral held;

(b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and

(c) the terms and conditions associated with its use of the collateral.

Allowance account for credit losses

16 [Deleted]

16A The carrying amount of financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SLFRS 9 is not reduced by a loss allowance and an entity shall not present the loss allowance separately in the statement of financial position as a reduction of the carrying amount of the financial asset. However, an entity shall disclose the loss allowance in the notes to the financial statements.

Compound financial instruments with multiple embedded derivatives

17 If an entity has issued an instrument that contains both a liability and an equity component (see paragraph 28 of LKAS 32) and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.

Defaults and breaches

18 For *loans payable* recognised at the end of the reporting period, an entity shall disclose:

(a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;

(b) the carrying amount of the loans payable in default at the end of the reporting period; and

(c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

19 If, during the period, there were breaches of loan agreement terms other than those described in paragraph 18, an entity shall disclose the same information as required by paragraph 18 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period).

Statement of comprehensive income

Items of income, expense, gains or losses

20 An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes:

(a) net gains or net losses on:

(i) financial assets or financial liabilities measured at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of SLFRS 9, and those on financial assets or financial liabilities that are mandatorily measured at fair value through profit or loss in accordance with SLFRS 9 (eg financial liabilities that meet the definition of held for trading in SLFRS 9). For financial liabilities designated as at fair value through profit or loss, an entity shall show separately the amount of gain or loss recognised in other comprehensive income and the amount recognised in profit or loss.

(ii)–(iv) [deleted]

(v) financial liabilities measured at amortised cost.

(vi) financial assets measured at amortised cost.

(vii) investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of SLFRS 9.

(viii) financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SLFRS 9, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.

(b) total interest revenue and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SLFRS 9 (showing these amounts separately); or financial liabilities that are not measured at fair value through profit or loss.

(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:

(i) financial assets and financial liabilities that are not at fair value through profit or loss; and

(ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions.

(d) [deleted]

(e) [deleted]

20A An entity shall disclose an analysis of the gain or loss recognised in the statement of comprehensive income arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure shall include the reasons for derecognising those financial assets.

Other disclosures

Accounting policies

21 In accordance with paragraph 117 of LKAS 1 *Presentation of Financial Statements*, an entity discloses its significant accounting policies comprising the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.

Hedge accounting

21A An entity shall apply the disclosure requirements in paragraphs 21B–24F for those risk exposures that an entity hedges and for which it elects to apply hedge accounting. Hedge accounting disclosures shall provide information about:

(a) an entity's risk management strategy and how it is applied to manage risk;

(b) how the entity's hedging activities may affect the amount, timing and uncertainty of its future cash flows; and

(c) the effect that hedge accounting has had on the entity's statement of financial position, statement of comprehensive income and statement of changes in equity.

21B An entity shall present the required disclosures in a single note or separate section in its financial statements. However, an entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.

21C When paragraphs 22A–24F require the entity to separate by risk category the information disclosed, the entity shall determine each risk category on the basis of the risk exposures an entity decides to hedge and for which hedge accounting is applied. An entity shall determine risk categories consistently for all hedge accounting disclosures.

21D To meet the objectives in paragraph 21A, an entity shall (except as otherwise specified below) determine how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information disclosed. However, an entity shall use the same level of aggregation or disaggregation it uses for disclosure requirements of related information in this SLFRS and SLFRS 13 *Fair Value Measurement*.

The risk management strategy

22 [Deleted]

22A An entity shall explain its risk management strategy for each risk category of risk exposures that it decides to hedge and for which hedge accounting is applied. This explanation should enable users of financial statements to evaluate (for example):

(a) how each risk arises.

(b) how the entity manages each risk; this includes whether the entity hedges an item in its entirety for all risks or hedges a risk component (or components) of an item and why.

(c) the extent of risk exposures that the entity manages.

22B To meet the requirements in paragraph 22A, the information should include (but is not limited to) a description of:

(a) the hedging instruments that are used (and how they are used) to hedge risk exposures;

(b) how the entity determines the economic relationship between the hedged item and the hedging instrument for the purpose of assessing hedge effectiveness; and

(c) how the entity establishes the hedge ratio and what the sources of hedge ineffectiveness are.

22C When an entity designates a specific risk component as a hedged item (see paragraph 6.3.7 of SLFRS 9) it shall provide, in addition to the disclosures required by paragraphs 22A and 22B, qualitative or quantitative information about:

(a) how the entity determined the risk component that is designated as the hedged item (including a description of the nature of the relationship between the risk component and the item as a whole); and

(b) how the risk component relates to the item in its entirety (for example, the designated risk component historically covered on average 80 per cent of the changes in fair value of the item as a whole).

The amount, timing and uncertainty of future cash flows

23 [Deleted]

23A Unless exempted by paragraph 23C, an entity shall disclose by risk category quantitative information to allow users of its financial statements to evaluate the terms and conditions of hedging instruments and how they affect the amount, timing and uncertainty of future cash flows of the entity.

23B To meet the requirement in paragraph 23A, an entity shall provide a breakdown that discloses:

(a) a profile of the timing of the nominal amount of the hedging instrument; and

(b) if applicable, the average price or rate (for example strike or forward prices *etc*) of the hedging instrument.

23C In situations in which an entity frequently resets (ie discontinues and restarts) hedging relationships because both the hedging instrument and the hedged item frequently change (ie the entity uses a dynamic process in which both the exposure and the hedging instruments used to manage that exposure do not remain the same for long—such as in the example in paragraph B6.5.24(b) of SLFRS 9) the entity:

(a) is exempt from providing the disclosures required by paragraphs 23A and 23B.

(b) shall disclose:

(i) information about what the ultimate risk management strategy is in relation to those hedging relationships;

(ii) a description of how it reflects its risk management strategy by using hedge accounting and designating those particular hedging relationships; and

(iii) an indication of how frequently the hedging relationships are discontinued and restarted as part of the entity's process in relation to those hedging relationships.

23D An entity shall disclose by risk category a description of the sources of hedge ineffectiveness that are expected to affect the hedging relationship during its term.

23E If other sources of hedge ineffectiveness emerge in a hedging relationship, an entity shall disclose those sources by risk category and explain the resulting hedge ineffectiveness.

23F For cash flow hedges, an entity shall disclose a description of any forecast transaction for which hedge accounting had been used in the previous period, but which is no longer expected to occur.

The effects of hedge accounting on financial position and performance

24 [Deleted]

24A An entity shall disclose, in a tabular format, the following amounts related to items designated as hedging instruments separately by risk category for each type of hedge (fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation):

(a) the carrying amount of the hedging instruments (financial assets separately from financial liabilities);

(b) the line item in the statement of financial position that includes the hedging instrument;

(c) the change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period; and

(d) the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instruments.

24B An entity shall disclose, in a tabular format, the following amounts related to hedged items separately by risk category for the types of hedges as follows:

(a) for fair value hedges:

(i) the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);

(ii) the accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);

(iii) the line item in the statement of financial position that includes the hedged item;

(iv) the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period; and

(v) the accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses in accordance with paragraph 6.5.10 of SLFRS 9.

(b) for cash flow hedges and hedges of a net investment in a foreign operation:

(i) the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period (ie for cash flow hedges the change in value used to determine the recognised hedge ineffectiveness in accordance with paragraph 6.5.11(c) of SLFRS 9);

(ii) the balances in the cash flow hedge reserve and the foreign currency translation reserve for continuing hedges that are accounted for in accordance with paragraphs 6.5.11 and 6.5.13(a) of SLFRS 9; and

(iii) the balances remaining in the cash flow hedge reserve and the foreign currency translation reserve from any hedging relationships for which hedge accounting is no longer applied.

24C An entity shall disclose, in a tabular format, the following amounts separately by risk category for the types of hedges as follows:

(a) for fair value hedges:

(i) hedge ineffectiveness—ie the difference between the hedging gains or losses of the hedging instrument and the hedged item—recognised in profit or loss (or other comprehensive income for hedges of an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income in accordance with paragraph 5.7.5 of SLFRS 9); and

(ii) the line item in the statement of comprehensive income that includes the recognised hedge ineffectiveness.

(b) for cash flow hedges and hedges of a net investment in a foreign operation:

(i) hedging gains or losses of the reporting period that were recognised in other comprehensive income;

(ii) hedge ineffectiveness recognised in profit or loss;

(iii) the line item in the statement of comprehensive income that includes the recognised hedge ineffectiveness;

(iv) the amount reclassified from the cash flow hedge reserve or the foreign currency translation reserve into profit or loss as a reclassification adjustment (see LKAS 1) (differentiating between amounts for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur, and amounts that have been transferred because the hedged item has affected profit or loss);

(v) the line item in the statement of comprehensive income that includes the reclassification adjustment (see LKAS 1); and

(vi) for hedges of net positions, the hedging gains or losses recognised in a separate line item in the statement of comprehensive income (see paragraph 6.6.4 of SLFRS 9).

24D When the volume of hedging relationships to which the exemption in paragraph 23C applies is unrepresentative of normal volumes during the period (ie the volume at the reporting date does not reflect the volumes during the period) an entity shall disclose that fact and the reason it believes the volumes are unrepresentative.

24E An entity shall provide a reconciliation of each component of equity and an analysis of other comprehensive income in accordance with LKAS 1 that, taken together:

(a) differentiates, at a minimum, between the amounts that relate to the disclosures in paragraph 24C(b)(i) and (b)(iv) as well as the amounts accounted for in accordance with paragraph 6.5.11(d)(i) and (d)(iii) of SLFRS 9;

(b) differentiates between the amounts associated with the time value of options that hedge transaction related hedged items and the amounts associated with the time value of options that hedge time-period related hedged items when an entity accounts for the time value of an option in accordance with paragraph 6.5.15 of SLFRS 9; and

(c) differentiates between the amounts associated with forward elements of forward contracts and the foreign currency basis spreads of financial instruments that hedge transaction related hedged items, and the amounts associated with forward elements of forward contracts and the foreign currency basis spreads of financial instruments that hedge time-period related hedged items when an entity accounts for those amounts in accordance with paragraph 6.5.16 of SLFRS 9.

24F An entity shall disclose the information required in paragraph 24E separately by risk category. This disaggregation by risk may be provided in the notes to the financial statements.

Option to designate a credit exposure as measured at fair value through profit or loss

24G If an entity designated a financial instrument, or a proportion of it, as measured at fair value through profit or loss because it uses a credit derivative to manage the credit risk of that financial instrument it shall disclose:

(a) for credit derivatives that have been used to manage the credit risk of financial instruments designated as measured at fair value through profit or loss in accordance with paragraph 6.7.1 of SLFRS 9, a reconciliation of each of the nominal amount and the fair value at the beginning and at the end of the period;

(b) the gain or loss recognised in profit or loss on designation of a financial instrument, or a proportion of it, as measured at fair value through profit or loss in accordance with paragraph 6.7.1 of SLFRS 9; and

(c) on discontinuation of measuring a financial instrument, or a proportion of it, at fair value through profit or loss, that financial instrument's fair value that has become the new carrying amount in accordance with paragraph 6.7.4 of SLFRS 9 and the related nominal or principal amount (except for providing comparative information in accordance with LKAS 1, an entity does not need to continue this disclosure in subsequent periods).

Fair value

25 Except as set out in paragraph 29, for each class of financial assets and financial liabilities (see paragraph 6), an entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount.

26 In disclosing fair values, an entity shall group financial assets and financial liabilities into classes, but shall offset them only to the extent that their carrying amounts are offset in the statement of financial position.

27–
27B [Deleted]

28 In some cases, an entity does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (ie a Level 1 input) nor based on a valuation technique that uses only data from observable markets (see paragraph B5.1.2A of SLFRS 9). In such cases, the entity shall disclose by class of financial asset or financial liability:

(a) its accounting policy for recognising in profit or loss the difference between the fair value at initial recognition and the transaction price to reflect a change in factors (including time) that market participants would take into account when pricing the asset or liability (see paragraph B5.1.2A(b) of SLFRS 9).

(b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference.

(c) why the entity concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value.

29 Disclosures of fair value are not required:

(a) when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables;

(b) [deleted]

(c) for a contract containing a discretionary participation feature (as described in SLFRS 4) if the fair value of that feature cannot be measured reliably.

30 In the case described in paragraph 29(c), an entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those contracts and their fair value, including:

(a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;

(b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;

(c) information about the market for the instruments;

(d) information about whether and how the entity intends to dispose of the financial instruments; and

(e) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.

Nature and extent of risks arising from financial instruments

31 An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.

32 The disclosures required by paragraphs 33–42 focus on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

32A Providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate an entity's exposure to risks.

Qualitative disclosures

33 For each type of risk arising from financial instruments, an entity shall disclose:

(a) the exposures to risk and how they arise;

(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and

(c) any changes in (a) or (b) from the previous period.

Quantitative disclosures

34 For each type of risk arising from financial instruments, an entity shall disclose:

(a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in LKAS 24 *Related Party Disclosures*), for example the entity's board of directors or chief executive officer.

(b) the disclosures required by paragraphs 35A–42, to the extent not provided in accordance with (a).

(c) concentrations of risk if not apparent from the disclosures made in accordance with (a) and (b).

35 If the quantitative data disclosed as at the end of the reporting period are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.

Credit risk

Scope and objectives

35A An entity shall apply the disclosure requirements in paragraphs 35F–35N to financial instruments to which the impairment requirements in SLFRS 9 are applied. However:

(a) for trade receivables, contract assets and lease receivables, paragraph 35J(a) applies to those trade receivables, contract assets or lease receivables on which lifetime expected credit losses are recognised in accordance with paragraph 5.5.15 of SLFRS 9, if those financial assets are modified while more than 30 days past due; and

(b) paragraph 35K(b) does not apply to lease receivables.

35B The credit risk disclosures made in accordance with paragraphs 35F–35N shall enable users of financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows. To achieve this objective, credit risk disclosures shall provide:

(a) information about an entity's credit risk management practices and how they relate to the recognition and measurement of expected credit losses, including the methods, assumptions and information used to measure expected credit losses;

(b) quantitative and qualitative information that allows users of financial statements to evaluate the amounts in the financial statements arising from expected credit losses, including changes in the amount of expected credit losses and the reasons for those changes; and

(c) information about an entity's credit risk exposure (ie the credit risk inherent in an entity's financial assets and commitments to extend credit) including significant credit risk concentrations.

35C An entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to other statements, such as a management commentary or risk report that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.

35D To meet the objectives in paragraph 35B, an entity shall (except as otherwise specified) consider how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information disclosed.

35E If the disclosures provided in accordance with paragraphs 35F–35N are insufficient to meet the objectives in paragraph 35B, an entity shall disclose additional information that is necessary to meet those objectives.

The credit risk management practices

35F An entity shall explain its credit risk management practices and how they relate to the recognition and measurement of expected credit losses. To meet this objective an entity shall disclose information that enables users of financial statements to understand and evaluate:

(a) how an entity determined whether the credit risk of financial instruments has increased significantly since initial recognition, including, if and how:

(i) financial instruments are considered to have low credit risk in accordance with paragraph 5.5.10 of SLFRS 9, including the classes of financial instruments to which it applies; and

(ii) the presumption in paragraph 5.5.11 of SLFRS 9, that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has been rebutted;

(b) an entity's definitions of default, including the reasons for selecting those definitions;

(c) how the instruments were grouped if expected credit losses were measured on a collective basis;

(d) how an entity determined that financial assets are credit-impaired financial assets;

(e) an entity's write-off policy, including the indicators that there is no reasonable expectation of recovery and information about the policy for financial assets that are written-off but are still subject to enforcement activity; and

(f) how the requirements in paragraph 5.5.12 of SLFRS 9 for the modification of contractual cash flows of financial assets have been applied, including how an entity:

(i) determines whether the credit risk on a financial asset that has been modified while the loss allowance was measured at an amount equal to lifetime expected credit losses, has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses in accordance with paragraph 5.5.5 of SLFRS 9; and

(ii) monitors the extent to which the loss allowance on financial assets meeting the criteria in (i) is subsequently remeasured at an amount equal to lifetime expected credit losses in accordance with paragraph 5.5.3 of SLFRS 9.

35G An entity shall explain the inputs, assumptions and estimation techniques used to apply the requirements in Section 5.5 of SLFRS 9. For this purpose an entity shall disclose:

(a) the basis of inputs and assumptions and the estimation techniques used to:

(i) measure the 12-month and lifetime expected credit losses;

(ii) determine whether the credit risk of financial instruments has increased significantly since initial recognition; and

(iii) determine whether a financial asset is a credit-impaired financial asset.

(b) how forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information; and

(c) changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.

Quantitative and qualitative information about amounts arising from expected credit losses

35H To explain the changes in the loss allowance and the reasons for those changes, an entity shall provide, by class of financial instrument, a reconciliation from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period for:

(a) the loss allowance measured at an amount equal to 12-month expected credit losses;

(b) the loss allowance measured at an amount equal to lifetime expected credit losses for:

(i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;

(ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and

(iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of SLFRS 9.

(c) financial assets that are purchased or originated credit-impaired. In addition to the reconciliation, an entity shall disclose the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period.

35I To enable users of financial statements to understand the changes in the loss allowance disclosed in accordance with paragraph 35H, an entity shall provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. The information shall be provided separately for financial instruments that represent the loss allowance as listed in paragraph 35H(a)–(c) and shall include relevant qualitative and quantitative information. Examples of changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance may include:

(a) changes because of financial instruments originated or acquired during the reporting period;

(b) the modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets in accordance with SLFRS 9;

(c) changes because of financial instruments that were derecognised (including those that were written-off) during the reporting period; and

(d) changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses.

35J To enable users of financial statements to understand the nature and effect of modifications of contractual cash flows on financial assets that have not resulted in derecognition and the effect of such modifications on the measurement of expected credit losses, an entity shall disclose:

(a) the amortised cost before the modification and the net modification gain or loss recognised for financial assets for which the contractual cash flows have been modified during the reporting period while they had a loss allowance measured at an amount equal to lifetime expected credit losses; and

(b) the gross carrying amount at the end of the reporting period of financial assets that have been modified since initial recognition at a time when the loss allowance was measured at an amount equal to lifetime expected credit losses and for which the loss allowance has changed during the reporting period to an amount equal to 12-month expected credit losses.

35K To enable users of financial statements to understand the effect of collateral and other credit enhancements on the amounts arising from expected credit losses, an entity shall disclose by class of financial instrument:

(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with LKAS 32).

(b) a narrative description of collateral held as security and other credit enhancements, including:

(i) a description of the nature and quality of the collateral held;

(ii) an explanation of any significant changes in the quality of that collateral or credit enhancements as a result of deterioration or changes in the collateral policies of the entity during the reporting period; and

(iii) information about financial instruments for which an entity has not recognised a loss allowance because of the collateral.

(c) quantitative information about the collateral held as security and other credit enhancements (for example, quantification of the extent to which collateral and other credit enhancements mitigate credit risk) for financial assets that are credit-impaired at the reporting date.

35L An entity shall disclose the contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity.

Credit risk exposure

35M To enable users of financial statements to assess an entity's credit risk exposure and understand its significant credit risk concentrations, an entity shall disclose, by credit risk rating grades, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts. This information shall be provided separately for financial instruments:

(a) for which the loss allowance is measured at an amount equal to 12-month expected credit losses;

(b) for which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are:

(i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;

(ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and

(iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of SLFRS 9.

(c) that are purchased or originated credit-impaired financial assets.

35N For trade receivables, contract assets and lease receivables to which an entity applies paragraph 5.5.15 of SLFRS 9, the information provided in accordance with paragraph 35M may be based on a provision matrix (see paragraph B5.5.35 of SLFRS 9).

36 For all financial instruments within the scope of this SLFRS, but to which the impairment requirements in SLFRS 9 are not applied, an entity shall disclose by class of financial instrument:

(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not quality for offset in accordance with LKAS 32); this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.

(b) a description of collateral held as security and other credit enhancements, and their financial effect (eg quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument).

(c) [deleted]

(d) [deleted]

37 [Deleted]

Collateral and other credit enhancements obtained

38 When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (eg guarantees), and such assets meet the recognition criteria in other SLFRSs, an entity shall disclose for such assets held at the reporting date:

(a) the nature and carrying amount of the assets; and

(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Liquidity risk

39 An entity shall disclose:

(a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities.

(b) a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows (see paragraph B11B).

(c) a description of how it manages the liquidity risk inherent in (a) and (b).

Market risk

Sensitivity analysis

40 Unless an entity complies with paragraph 41, it shall disclose:

(a) a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;

(b) the methods and assumptions used in preparing the sensitivity analysis; and

(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.

41 If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (eg interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified in paragraph 40. The entity shall also disclose:

(a) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and

(b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.

Other market risk disclosures

42 When the sensitivity analyses disclosed in accordance with paragraph 40 or 41 are unrepresentative of a risk inherent in a financial instrument (for example because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.

Transfers of financial assets

42A The disclosure requirements in paragraphs 42B–42H relating to transfers of financial assets supplement the other disclosure requirements of this SLFRS. An entity shall present the disclosures required by paragraphs 42B–42H in a single note in its financial statements. An entity shall provide the required disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. For the purposes of applying the disclosure requirements in those paragraphs, an entity transfers all or a part of a financial asset (the transferred financial asset) if, and only if, it either:

(a) transfers the contractual rights to receive the cash flows of that financial asset; or

(b) retains the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

42B An entity shall disclose information that enables users of its financial statements:

(a) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and

(b) to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

42C For the purposes of applying the disclosure requirements in paragraphs 42E–42H, an entity has continuing involvement in a transferred financial asset if, as part of the transfer, the entity retains any of the contractual rights or obligations inherent in the transferred financial asset or obtains any new contractual rights or obligations relating to the transferred financial asset. For the purposes of applying the disclosure requirements in paragraphs 42E–42H, the following do not constitute continuing involvement:

(a) normal representations and warranties relating to fraudulent transfer and concepts of reasonableness, good faith and fair dealings that could invalidate a transfer as a result of legal action;

(b) forward, option and other contracts to reacquire the transferred financial asset for which the contract price (or exercise price) is the fair value of the transferred financial asset; or

(c) an arrangement whereby an entity retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay the cash flows to one or more entities and the conditions in paragraph 3.2.5(a)–(c) of SLFRS 9 are met.

Transferred financial assets that are not derecognised in their entirety

42D An entity may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. To meet the objectives set out in paragraph 42B(a), the entity shall disclose at each reporting date for each class of transferred financial assets that are not derecognised in their entirety:

(a) the nature of the transferred assets.

(b) the nature of the risks and rewards of ownership to which the entity is exposed.

(c) a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity's use of the transferred assets.

(d) when the counterparty (counterparties) to the associated liabilities has (have) recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of the associated liabilities and the net position (the difference between the fair value of the transferred assets and the associated liabilities).

(e) when the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities.

(f) when the entity continues to recognise the assets to the extent of its continuing involvement (see paragraphs 3.2.6(c)(ii) and 3.2.16 of SLFRS 9), the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

Transferred financial assets that are derecognised in their entirety

42E To meet the objectives set out in paragraph 42B(b), when an entity derecognises transferred financial assets in their entirety (see paragraph 3.2.6(a) and (c)(i) of SLFRS 9) but has continuing involvement in them, the entity shall disclose, as a minimum, for each type of continuing involvement at each reporting date:

(a) the carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which the carrying amount of those assets and liabilities are recognised.

(b) the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets.

(c) the amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and information showing how the maximum exposure to loss is determined.

(d) the undiscounted cash outflows that would or may be required to repurchase derecognised financial assets (eg the strike price in an option agreement) or other amounts payable to the transferee in respect of the transferred assets. If the cash outflow is variable then the amount disclosed should be based on the conditions that exist at each reporting date.

(e) a maturity analysis of the undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred assets, showing the remaining contractual maturities of the entity's continuing involvement.

(f) qualitative information that explains and supports the quantitative disclosures required in (a)–(e).

42F An entity may aggregate the information required by paragraph 42E in respect of a particular asset if the entity has more than one type of continuing involvement in that derecognised financial asset, and report it under one type of continuing involvement.

42G In addition, an entity shall disclose for each type of continuing involvement:

(a) the gain or loss recognised at the date of transfer of the assets.

(b) income and expenses recognised, both in the reporting period and cumulatively, from the entity's continuing involvement in the derecognised financial assets (eg fair value changes in derivative instruments).

(c) if the total amount of proceeds from transfer activity (that qualifies for derecognition) in a reporting period is not evenly distributed throughout the reporting period (eg if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period):

(i) when the greatest transfer activity took place within that reporting period (eg the last five days before the end of the reporting period),

(ii) the amount (eg related gains or losses) recognised from transfer activity in that part of the reporting period, and

(iii) the total amount of proceeds from transfer activity in that part of the reporting period.

An entity shall provide this information for each period for which a statement of comprehensive income is presented.

Supplementary information

42H An entity shall disclose any additional information that it considers necessary to meet the disclosure objectives in paragraph 42B.

Initial application of SLFRS 9

42I In the reporting period that includes the date of initial application of SLFRS 9, the entity shall disclose the following information for each class of financial assets and financial liabilities as at the date of initial application:

(a) the original measurement category and carrying amount determined in accordance with LKAS 39 or in accordance with a previous version of SLFRS 9 (if the entity's chosen approach to applying SLFRS 9 involves more than one date of initial application for different requirements);

(b) the new measurement category and carrying amount determined in accordance with SLFRS 9;

(c) the amount of any financial assets and financial liabilities in the statement of financial position that were previously designated as measured at fair value through profit or loss but are no longer so designated, distinguishing between those that SLFRS 9 requires an entity to reclassify and those that an entity elects to reclassify at the date of initial application.

In accordance with paragraph 7.2.2 of SLFRS 9, depending on the entity's chosen approach to applying SLFRS 9, the transition can involve more than one date of initial application. Therefore this paragraph may result in disclosure on more than one date of initial application. An entity shall present these quantitative disclosures in a table unless another format is more appropriate.

42J In the reporting period that includes the date of initial application of SLFRS 9, an entity shall disclose qualitative information to enable users to understand:

(a) how it applied the classification requirements in SLFRS 9 to those financial assets whose classification has changed as a result of applying SLFRS 9.

(b) the reasons for any designation or de-designation of financial assets or financial liabilities as measured at fair value through profit or loss at the date of initial application.

In accordance with paragraph 7.2.2 of SLFRS 9, depending on the entity's chosen approach to applying SLFRS 9, the transition can involve more than one date of initial application. Therefore this paragraph may result in disclosure on more than one date of initial application.

42K In the reporting period that an entity first applies the classification and measurement requirements for financial assets in SLFRS 9 (ie when the entity transitions from LKAS 39 to SLFRS 9 for financial assets), it shall present the disclosures set out in paragraphs 42L–42O of this SLFRS as required by paragraph 7.2.15 of SLFRS 9.

42L When required by paragraph 42K, an entity shall disclose the changes in the classifications of financial assets and financial liabilities as at the date of initial application of SLFRS 9, showing separately:

(a) the changes in the carrying amounts on the basis of their measurement categories in accordance with LKAS 39 (ie not resulting from a change in measurement attribute on transition to SLFRS 9); and

(b) the changes in the carrying amounts arising from a change in measurement attribute on transition to SLFRS 9.

The disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in SLFRS 9.

42M When required by paragraph 42K, an entity shall disclose the following for financial assets and financial liabilities that have been reclassified so that they are measured at amortised cost and, in the case of financial assets, that have been reclassified out of fair value through profit or loss so that they are measured at fair value through other comprehensive income, as a result of the transition to SLFRS 9:

(a) the fair value of the financial assets or financial liabilities at the end of the reporting period; and

(b) the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income during the reporting period if the financial assets or financial liabilities had not been reclassified.

The disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in SLFRS 9.

42N When required by paragraph 42K, an entity shall disclose the following for financial assets and financial liabilities that have been reclassified out of the fair value through profit or loss category as a result of the transition to SLFRS 9:

(a) the effective interest rate determined on the date of initial application; and

(b) the interest revenue or expense recognised.

If an entity treats the fair value of a financial asset or a financial liability as the new gross carrying amount at the date of initial application (see paragraph 7.2.11 of SLFRS 9), the disclosures in this paragraph shall be made for each reporting period until derecognition. Otherwise, the disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in SLFRS 9.

42O When an entity presents the disclosures set out in paragraphs 42K–42N, those disclosures, and the disclosures in paragraph 25 of this SLFRS, must permit reconciliation between:

(a) the measurement categories presented in accordance with LKAS 39 and SLFRS 9; and

(b) the class of financial instrument

as at the date of initial application.

42P On the date of initial application of Section 5.5 of SLFRS 9, an entity is required to disclose information that would permit the reconciliation of the ending impairment allowances in accordance with LKAS 39 and the provisions in accordance with LKAS 37 to the opening loss allowances determined in accordance with SLFRS 9. For financial assets, this disclosure shall be provided by the related financial assets' measurement categories in accordance with LKAS 39 and SLFRS 9, and shall show separately the effect of the changes in the measurement category on the loss allowance at that date.

42Q In the reporting period that includes the date of initial application of SLFRS 9, an entity is not required to disclose the line item amounts that would have been reported in accordance with the classification and measurement requirements (which includes the requirements related to amortised cost measurement of financial assets and impairment in Sections 5.4 and 5.5 of SLFRS 9) of:

(a) SLFRS 9 for prior periods; and

(b) LKAS 39 for the current period.

42R In accordance with paragraph 7.2.4 of SLFRS 9, if it is impracticable (as defined in LKAS 8) at the date of initial application of SLFRS 9 for an entity to assess a modified time value of money element in accordance with paragraphs B4.1.9B–B4.1.9D of SLFRS 9 based on the facts and circumstances that existed at the initial recognition of the financial asset, an entity shall assess the contractual cash flow characteristics of that financial asset based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the requirements related to the modification of the time value of money element in paragraphs B4.1.9B–B4.1.9D of SLFRS 9. An entity shall disclose the carrying amount at the reporting date of the financial assets whose contractual cash flow characteristics have been assessed based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the requirements related to the modification of the time value of money element in paragraphs B4.1.9B–B4.1.9D of SLFRS 9 until those financial assets are derecognised.

42S In accordance with paragraph 7.2.5 of SLFRS 9, if it is impracticable (as defined in LKAS 8) at the date of initial application for an entity to assess whether the fair value of a prepayment feature was insignificant in accordance with paragraphs B4.1.12(c) of SLFRS 9 based on the facts and circumstances that existed at the initial recognition of the financial asset, an entity shall assess the contractual cash flow characteristics of that financial asset based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the exception for prepayment features in paragraph B4.1.12 of SLFRS 9. An entity shall disclose the carrying amount at the reporting date of the financial assets whose contractual cash flow characteristics have been assessed based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the exception for prepayment features in paragraph B4.1.12 of SLFRS 9 until those financial assets are derecognised.

Effective date and transition

43 An entity shall apply this SLFRS for annual periods beginning on or after 1 January 2012. Earlier application is encouraged. If an entity applies this SLFRS for an earlier period, it shall disclose that fact.

44 -

44N [Deleted]

44O SLFRS 10 and SLFRS 11 *Joint Arrangements*, issued in April 2013, amended paragraph 3. An entity shall apply that amendment when it applies SLFRS 10 and SLFRS 11.

44P SLFRS 13, issued in April 2013, amended paragraphs 3, 28 and 29 and Appendix A and deleted paragraphs 27–27B. An entity shall apply those amendments when it applies SLFRS 13.

44Q *Presentation of Items of Other Comprehensive Income* (Amendments to LKAS 1), issued in 2014, amended paragraph 27B. An entity shall apply that amendment when it applies LKAS 1 as amended in 2014.

44R *Disclosures—Offsetting Financial Assets and Financial Liabilities* (Amendments to SLFRS 7), issued in 2014, added paragraphs 13A–13F and B40–B53. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. An entity shall provide the disclosures required by those amendments retrospectively.

44S–

44Y [Deleted]

44Z SLFRS 9, as issued in December 2014, amended paragraphs 2–5, 8–11, 14, 20, 28–30, 36, 42C–42E, Appendix A and paragraphs B1, B5, B9, B10, B22 and B27, deleted paragraphs 12, 12A, 16, 22–24, 37, 44E, 44F, 44H–44J, 44N, 44S–44W, 44Y, B4 and Appendix D and added paragraphs 5A, 10A, 11A, 11B, 12B–12D, 16A, 20A, 21A–21D, 22A–22C, 23A–23F, 24A–24G, 35A–35N, 42I–42S, 44ZA and B8A–B8J. An entity shall apply those amendments when it applies SLFRS 9. Those amendments need not be applied to comparative information provided for periods before the date of initial application of SLFRS 9.

44ZA In accordance with paragraph 7.1.2 of SLFRS 9, for annual reporting periods prior to 1 January 2018, an entity may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss in paragraphs 5.7.1(c), 5.7.7–5.7.9, 7.2.14 and B5.7.5–B5.7.20 of SLFRS 9 without applying the other requirements in SLFRS 9. If an entity elects to apply only those paragraphs of SLFRS 9, it shall disclose that fact and provide on an ongoing basis the related disclosures set out in paragraphs 10–11 of this SLFRS.

44AA Adoption of IASB's Annual Improvements to SLFRSs 2012–2014 Cycle, issued in September 2014, amended paragraphs 44R and B30 and added paragraph B30A. An entity shall apply those amendments retrospectively in accordance with LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods beginning on or after 1 January 2016, except that an entity need not apply the amendments to paragraphs B30 and B30A for any period presented that begins before the annual period for which the entity first applies those amendments. Earlier application of the amendments to paragraphs 44R, B30 and B30A is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

44BB Disclosure Initiative (Amendments to LKAS 1), issued in December 2014, amended paragraphs 21 and B5. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application of those amendments is permitted.

44CC *[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

44DD *[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

Appendix A
Defined terms

This appendix is an integral part of the SLFRS.

credit risk	The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
credit risk rating grades	Rating of credit risk based on the risk of a default occurring on the financial instrument.
currency risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
interest rate risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
liquidity risk	The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
loans payable	Loans payable are financial liabilities, other than short-term trade payables on normal credit terms.
market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: **currency risk, interest rate risk** and **other price risk.**
other price risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from **interest rate risk** or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The following terms are defined in paragraph 11 of LKAS 32, paragraph 9 of LKAS 39, Appendix A of SLFRS 9 or Appendix A of SLFRS 13 and are used in this SLFRS with the meaning specified in LKAS 32, LKAS 39, SLFRS 9 and SLFRS 13.

- amortised cost of a financial asset or financial liability
- contract asset
- credit-impaired financial assets
- derecognition
- derivative
- dividends
- effective interest method
- equity instrument
- expected credit losses

- fair value
- financial asset
- financial guarantee contract
- financial instrument
- financial liability
- financial liability at fair value through profit or loss
- forecast transaction
- gross carrying amount of a financial asset
- hedging instrument
- held for trading
- impairment gains or losses
- loss allowance
- past due
- purchased or originated credit-impaired financial assets
- reclassification date
- regular way purchase or sale.

Appendix B
Application guidance

This appendix is an integral part of the SLFRS.

Classes of financial instruments and level of disclosure (paragraph 6)

B1 Paragraph 6 requires an entity to group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The classes described in paragraph 6 are determined by the entity and are, thus, distinct from the categories of financial instruments specified in SLFRS 9 (which determine how financial instruments are measured and where changes in fair value are recognised).

B2 In determining classes of financial instrument, an entity shall, at a minimum:

(a) distinguish instruments measured at amortised cost from those measured at fair value.

(b) treat as a separate class or classes those financial instruments outside the scope of this SLFRS.

B3 An entity decides, in the light of its circumstances, how much detail it provides to satisfy the requirements of this SLFRS, how much emphasis it places on different aspects of the requirements and how it aggregates information to display the overall picture without combining information with different characteristics. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation. For example, an entity shall not obscure important information by including it among a large amount of insignificant detail. Similarly, an entity shall not disclose information that is so aggregated that it obscures important differences between individual transactions or associated risks.

B4 [Deleted]

Other disclosure – accounting policies (paragraph 21)

B5 Paragraph 21 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. For financial instruments, such disclosure may include:

(a) for financial liabilities designated as at fair value through profit or loss:

(i) the nature of the financial liabilities the entity has designated as at fair value through profit or loss;

(ii) the criteria for so designating such financial liabilities on initial recognition; and

(iii) how the entity has satisfied the conditions in paragraph 4.2.2 of SLFRS 9 for such designation.

(aa) for financial assets designated as measured at fair value through profit or loss:

(i) the nature of the financial assets the entity has designated as measured at fair value through profit or loss; and

(ii) how the entity has satisfied the criteria in paragraph 4.1.5 of SLFRS 9 for such designation.

(b) [deleted]

(c) whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date (see paragraph 3.1.2 of SLFRS 9).

(d) [deleted]

(e) how net gains or net losses on each category of financial instrument are determined (see paragraph 20(a)), for example, whether the net gains or net losses on items at fair value through profit or loss include interest or dividend income.

(f) [deleted]

(g) [deleted]

Paragraph 122 of LKAS 1 also requires entities to disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Nature and extent of risks arising from financial instruments (paragraphs 31–42)

B6 The disclosures required by paragraphs 31–42 shall be either given in the financial statements or incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.

Quantitative disclosures (paragraph 34)

B7 Paragraph 34(a) requires disclosures of summary quantitative data about an entity's exposure to risks based on the information provided internally to key management personnel of the entity. When an entity uses several methods to manage a risk exposure, the entity shall disclose information using the method or methods that provide the most relevant and reliable information. LKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* discusses relevance and reliability.

B8 Paragraph 34(c) requires disclosures about concentrations of risk. Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The identification of concentrations of risk requires judgement taking into account the circumstances of the entity. Disclosure of concentrations of risk shall include:

(a) a description of how management determines concentrations;

(b) a description of the shared characteristic that identifies each concentration (eg counterparty, geographical area, currency or market); and

(c) the amount of the risk exposure associated with all financial instruments sharing that characteristic.

Credit risk management practices (paragraphs 35F–35G)

B8A Paragraph 35F(b) requires the disclosure of information about how an entity has defined default for different financial instruments and the reasons for selecting those definitions. In accordance with paragraph 5.5.9 of SLFRS 9, the determination of whether lifetime expected credit losses should be recognised is based on the increase in the risk of a default occurring since initial recognition. Information about an entity's definitions of default that will assist users of financial statements in understanding how an entity has applied the expected credit loss requirements in SLFRS 9 may include:

(a) the qualitative and quantitative factors considered in defining default;

(b) whether different definitions have been applied to different types of financial instruments; and

(c) assumptions about the cure rate (ie the number of financial assets that return to a performing status) after a default occurred on the financial asset.

B8B To assist users of financial statements in evaluating an entity's restructuring and modification policies, paragraph 35F(f)(ii) requires the disclosure of information about how an entity monitors the extent to which the loss allowance on financial assets previously disclosed in accordance with paragraph 35F(f)(i) are subsequently measured at an amount equal to lifetime expected credit losses in accordance with paragraph 5.5.3 of SLFRS 9. Quantitative information that will assist users in understanding the subsequent increase in credit risk of modified financial assets may include information about modified financial assets meeting the criteria in paragraph 35F(f)(i) for which the loss allowance has reverted to being measured at an amount equal to lifetime expected credit losses (ie a deterioration rate).

B8C Paragraph 35G(a) requires the disclosure of information about the basis of inputs and assumptions and the estimation techniques used to apply the impairment requirements in SLFRS 9. An entity's assumptions and inputs used to measure expected credit losses or determine the extent of increases in credit risk since initial recognition may include information obtained from internal historical information or rating reports and assumptions about the expected life of financial instruments and the timing of the sale of collateral.

Changes in the loss allowance (paragraph 35H)

B8D In accordance with paragraph 35H, an entity is required to explain the reasons for the changes in the loss allowance during the period. In addition to the reconciliation from the opening balance to the closing balance of the loss allowance, it may be necessary to provide a narrative explanation of the changes. This narrative explanation may include an analysis of the reasons for changes in the loss allowance during the period, including:

(a) the portfolio composition;

(b) the volume of financial instruments purchased or originated; and

(c) the severity of the expected credit losses.

B8E For loan commitments and financial guarantee contracts the loss allowance is recognised as a provision. An entity should disclose information about the changes in the loss allowance for financial assets separately from those for loan commitments and financial guarantee contracts. However, if a financial instrument includes both a loan (ie financial asset) and an undrawn commitment (ie loan commitment) component and the entity cannot separately identify the expected credit losses on the loan commitment component from those on the financial asset component, the expected credit losses on the loan commitment should be recognised together with the loss allowance for the financial asset. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognised as a provision.

Collateral (paragraph 35K)

B8F Paragraph 35K requires the disclosure of information that will enable users of financial statements to understand the effect of collateral and other credit enhancements on the amount of expected credit losses. An entity is neither required to disclose information about the fair value of collateral and other credit enhancements nor is it required to quantify the exact value of the collateral that was included in the calculation of expected credit losses (ie the loss given default).

B8G A narrative description of collateral and its effect on amounts of expected credit losses might include information about:

(a) the main types of collateral held as security and other credit enhancements (examples of the latter being guarantees, credit derivatives and netting agreements that do not qualify for offset in accordance with LKAS 32);

(b) the volume of collateral held and other credit enhancements and its significance in terms of the loss allowance;

(c) the policies and processes for valuing and managing collateral and other credit enhancements;

(d) the main types of counterparties to collateral and other credit enhancements and their creditworthiness; and

(e) information about risk concentrations within the collateral and other credit enhancements.

Credit risk exposure (paragraphs 35M–35N)

B8H Paragraph 35M requires the disclosure of information about an entity's credit risk exposure and significant concentrations of credit risk at the reporting date. A concentration of credit risk exists when a number of counterparties are located in a geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. An entity should provide information that enables users of financial statements to understand whether there are groups or portfolios of financial instruments with particular features that could affect a large portion of that group of financial instruments such as concentration to particular risks. This could include, for example, loan-to-value groupings, geographical, industry or issuer-type concentrations.

B8I The number of credit risk rating grades used to disclose the information in accordance with paragraph 35M shall be consistent with the number that the entity reports to key management personnel for credit risk management purposes. If past due information is the only borrower-specific information available and an entity uses past due information to assess whether credit risk has increased significantly since initial recognition in accordance with paragraph 5.5.11 of SLFRS 9, an entity shall provide an analysis by past due status for those financial assets.

B8J When an entity has measured expected credit losses on a collective basis, the entity may not be able to allocate the gross carrying amount of individual financial assets or the exposure to credit risk on loan commitments and financial guarantee contracts to the credit risk rating grades for which lifetime expected credit losses are recognised. In that case, an entity should apply the requirement in paragraph 35M to those financial instruments that can be directly allocated to a credit risk rating grade and disclose separately the gross carrying amount of financial instruments for which lifetime expected credit losses have been measured on a collective basis.

Maximum credit risk exposure (paragraph 36(a))

B9 Paragraphs 35K(a) and 36(a) require disclosure of the amount that best represents the entity's maximum exposure to credit risk. For a financial asset, this is typically the gross carrying amount, net of:

(a) any amounts offset in accordance with LKAS 32; and

(b) any loss allowance recognised in accordance with SLFRS 9.

B10 Activities that give rise to credit risk and the associated maximum exposure to credit risk include, but are not limited to:

(a) granting loans to customers and placing deposits with other entities. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets.

(b) entering into derivative contracts, eg foreign exchange contracts, interest rate swaps and credit derivatives. When the resulting asset is measured at fair value, the maximum exposure to credit risk at the end of the reporting period will equal the carrying amount.

(c) granting financial guarantees. In this case, the maximum exposure to credit risk is the maximum amount the entity could have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability.

(d) making a loan commitment that is irrevocable over the life of the facility or is revocable only in response to a material adverse change. If the issuer cannot settle the loan commitment net in cash or another financial instrument, the maximum credit exposure is the full amount of the commitment. This is because it is uncertain whether the amount of any undrawn portion may be drawn upon in the future. This may be significantly greater than the amount recognised as a liability.

Quantitative liquidity risk disclosures (paragraphs 34(a) and 39(a) and (b))

B10A In accordance with paragraph 34(a) an entity discloses summary quantitative data about its exposure to liquidity risk on the basis of the information provided internally to key management personnel. An entity shall explain how those data are determined. If the outflows of cash (or another financial asset) included in those data could either:

(a) occur significantly earlier than indicated in the data, or

(b) be for significantly different amounts from those indicated in the data (eg for a derivative that is included in the data on a net settlement basis but for which the counterparty has the option to require gross settlement),

the entity shall state that fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk unless that information is included in the contractual maturity analyses required by paragraph 39(a) or (b).

B11 In preparing the maturity analyses required by paragraph 39(a) and (b), an entity uses its judgement to determine an appropriate number of time bands. For example, an entity might determine that the following time bands are appropriate:

(a) not later than one month;

(b) later than one month and not later than three months;

(c) later than three months and not later than one year; and

(d) later than one year and not later than five years.

B11A In complying with paragraph 39(a) and (b), an entity shall not separate an embedded derivative from a hybrid (combined) financial instrument. For such an instrument, an entity shall apply paragraph 39(a).

B11B Paragraph 39(b) requires an entity to disclose a quantitative maturity analysis for derivative financial liabilities that shows remaining contractual maturities if the contractual maturities are essential for an understanding of the timing of the cash flows. For example, this would be the case for:

(a) an interest rate swap with a remaining maturity of five years in a cash flow hedge of a variable rate financial asset or liability.

(b) all loan commitments.

B11C Paragraph 39(a) and (b) requires an entity to disclose maturity analyses for financial liabilities that show the remaining contractual maturities for some financial liabilities. In this disclosure:

(a) when a counterparty has a choice of when an amount is paid, the liability is allocated to the earliest period in which the entity can be required to pay. For example, financial liabilities that an entity can be required to repay on demand (eg demand deposits) are included in the earliest time band.

(b) when an entity is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the entity can be required to pay. For example, an undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

(c) for issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

B11D The contractual amounts disclosed in the maturity analyses as required by paragraph 39(a) and (b) are the contractual undiscounted cash flows, for example:

(a) gross finance lease obligations (before deducting finance charges);

(b) prices specified in forward agreements to purchase financial assets for cash;

(c) net amounts for pay-floating/receive-fixed interest rate swaps for which net cash flows are exchanged;

(d) contractual amounts to be exchanged in a derivative financial instrument (eg a currency swap) for which gross cash flows are exchanged; and

(e) gross loan commitments.

Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.

B11E Paragraph 39(c) requires an entity to describe how it manages the liquidity risk inherent in the items disclosed in the quantitative disclosures required in paragraph 39(a) and (b). An entity shall disclose a maturity analysis of financial assets it holds for managing liquidity risk (eg financial assets that are readily saleable or expected to generate cash inflows to meet cash outflows on financial liabilities), if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

B11F Other factors that an entity might consider in providing the disclosure required in paragraph 39(c) include, but are not limited to, whether the entity:

(a) has committed borrowing facilities (eg commercial paper facilities) or other lines of credit (eg stand-by credit facilities) that it can access to meet liquidity needs;

(b) holds deposits at central banks to meet liquidity needs;

(c) has very diverse funding sources;

(d) has significant concentrations of liquidity risk in either its assets or its funding sources;

(e) has internal control processes and contingency plans for managing liquidity risk;

(f) has instruments that include accelerated repayment terms (eg on the downgrade of the entity's credit rating);

(g) has instruments that could require the posting of collateral (eg margin calls for derivatives);

(h) has instruments that allow the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares; or

(i) has instruments that are subject to master netting agreements.

B12–
B16 [Deleted]

Market risk – sensitivity analysis (paragraphs 40 and 41)

B17 Paragraph 40(a) requires a sensitivity analysis for each type of market risk to which the entity is exposed. In accordance with paragraph B3, an entity decides how it aggregates information to display the overall picture without combining information with different characteristics about exposures to risks from significantly different economic environments. For example:

(a) an entity that trades financial instruments might disclose this information separately for financial instruments held for trading and those not held for trading.

(b) an entity would not aggregate its exposure to market risks from areas of hyperinflation with its exposure to the same market risks from areas of very low inflation.

If an entity has exposure to only one type of market risk in only one economic environment, it would not show disaggregated information.

B18 Paragraph 40(a) requires the sensitivity analysis to show the effect on profit or loss and equity of reasonably possible changes in the relevant risk variable (eg prevailing market interest rates, currency rates, equity prices or commodity prices). For this purpose:

(a) entities are not required to determine what the profit or loss for the period would have been if relevant risk variables had been different. Instead, entities disclose the effect on profit or loss and equity at the end of the reporting period assuming that a reasonably possible change in the relevant risk variable had occurred at the end of the reporting period and had been applied to the risk exposures in existence at that date. For example, if an entity has a floating rate liability at the end of the year, the entity would disclose the effect on profit or loss (ie interest expense) for the current year if interest rates had varied by reasonably possible amounts.

(b) entities are not required to disclose the effect on profit or loss and equity for each change within a range of reasonably possible changes of the relevant risk variable. Disclosure of the effects of the changes at the limits of the reasonably possible range would be sufficient.

B19 In determining what a reasonably possible change in the relevant risk variable is, an entity should consider:

(a) the economic environments in which it operates. A reasonably possible change should not include remote or 'worst case' scenarios or 'stress tests'. Moreover, if the rate of change in the underlying risk variable is stable, the entity need not alter the chosen reasonably possible change in the risk variable. For example, assume that interest rates are 5 per cent and an entity determines that a fluctuation in interest rates of ±50 basis points is reasonably possible. It would disclose the effect on profit or loss and equity if interest rates were to change to 4.5 per cent or 5.5 per cent. In the next period, interest rates have increased to 5.5 per cent. The entity continues to believe that interest rates may fluctuate by ±50 basis points (ie that the rate of change in interest rates is stable). The entity would disclose the effect on profit or loss and equity if interest rates were to change to 5 per cent or 6 per cent. The entity would not be required to revise its assessment that interest rates might reasonably fluctuate by ±50 basis points, unless there is evidence that interest rates have become significantly more volatile.

(b) the time frame over which it is making the assessment. The sensitivity analysis shall show the effects of changes that are considered to be reasonably possible over the period until the entity will next present these disclosures, which is usually its next annual reporting period.

B20 Paragraph 41 permits an entity to use a sensitivity analysis that reflects interdependencies between risk variables, such as a value-at-risk methodology, if it uses this analysis to manage its exposure to financial risks. This applies even if such a methodology measures only the potential for loss and does not measure the potential for gain. Such an entity might comply with paragraph 41(a) by disclosing the type of value-at-risk model used (eg whether the model relies on Monte Carlo simulations), an explanation about how the model works and the main assumptions (eg the holding period and confidence level). Entities might also disclose the historical observation period and weightings applied to observations within that period, an explanation of how options are dealt with in the calculations, and which volatilities and correlations (or, alternatively, Monte Carlo probability distribution simulations) are used.

B21 An entity shall provide sensitivity analyses for the whole of its business, but may provide different types of sensitivity analysis for different classes of financial instruments.

Interest rate risk

B22 *Interest rate risk* arises on interest-bearing financial instruments recognised in the statement of financial position (eg debt instruments acquired or issued) and on some financial instruments not recognised in the statement of financial position (eg some loan commitments).

Currency risk

B23 *Currency risk* (or foreign exchange risk) arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this SLFRS, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

B24 A sensitivity analysis is disclosed for each currency to which an entity has significant exposure.

Other price risk

B25 *Other price risk* arises on financial instruments because of changes in, for example, commodity prices or equity prices. To comply with paragraph 40, an entity might disclose the effect of a decrease in a specified stock market index, commodity price, or other risk variable. For example, if an entity gives residual value guarantees that are financial instruments, the entity discloses an increase or decrease in the value of the assets to which the guarantee applies.

B26 Two examples of financial instruments that give rise to equity price risk are (a) a holding of equities in another entity and (b) an investment in a trust that in turn holds investments in equity instruments. Other examples include forward contracts and options to buy or sell specified quantities of an equity instrument and swaps that are indexed to equity prices. The fair values of such financial instruments are affected by changes in the market price of the underlying equity instruments.

B27 In accordance with paragraph 40(a), the sensitivity of profit or loss (that arises, for example, from instruments measured at fair value through profit or loss) is disclosed separately from the sensitivity of other comprehensive income (that arises, for example, from investments in equity instruments whose changes in fair value are presented in other comprehensive income).

B28 Financial instruments that an entity classifies as equity instruments are not remeasured. Neither profit or loss nor equity will be affected by the equity price risk of those instruments. Accordingly, no sensitivity analysis is required.

Derecognition (paragraphs 42C–42H)

Continuing involvement (paragraph 42C)

B29 The assessment of continuing involvement in a transferred financial asset for the purposes of the disclosure requirements in paragraphs 42E–42H is made at the level of the reporting entity. For example, if a subsidiary transfers to an unrelated third party a financial asset in which the parent of the subsidiary has continuing involvement, the subsidiary does not include the parent's involvement in the assessment of whether it has continuing involvement in the transferred asset in its separate or individual financial statements (ie when the subsidiary is the reporting entity). However, a parent would include its continuing involvement (or that of another member of the group) in a financial asset transferred by its subsidiary in determining whether it has continuing involvement in the transferred asset in its consolidated financial statements (ie when the reporting entity is the group).

B30 An entity does not have a continuing involvement in a transferred financial asset if, as part of the transfer, it neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires any new contractual rights or obligations relating to the transferred financial asset. An entity does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future. The term 'payment' in this context does not include cash flows of the transferred financial asset that an entity collects and is required to remit to the transferee.

B30A When an entity transfers a financial asset, the entity may retain the right to service that financial asset for a fee that is included in, for example, a servicing contract. The entity assesses the servicing contract in accordance with the guidance in paragraphs 42C and B30 to decide whether the entity has continuing involvement as a result of the servicing contract for the purposes of the disclosure requirements. For example, a servicer will have continuing involvement in the transferred financial asset for the purposes of the disclosure requirements if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset. Similarly, a servicer has continuing involvement for the purposes of the disclosure requirements if a fixed fee would not be paid in full because of non-performance of the transferred financial asset. In these examples, the servicer has an interest in the future performance of the transferred financial asset. This assessment is independent of whether the fee to be received is expected to compensate the entity adequately for performing the servicing.

B31 Continuing involvement in a transferred financial asset may result from contractual provisions in the transfer agreement or in a separate agreement with the transferee or a third party entered into in connection with the transfer.

Transferred financial assets that are not derecognised in their entirety (paragraph 42D)

B32 Paragraph 42D requires disclosures when part or all of the transferred financial assets do not qualify for derecognition. Those disclosures are required at each reporting date at which the entity continues to recognise the transferred financial assets, regardless of when the transfers occurred.

Types of continuing involvement (paragraphs 42E–42H)

B33 Paragraphs 42E–42H require qualitative and quantitative disclosures for each type of continuing involvement in derecognised financial assets. An entity shall aggregate its continuing involvement into types that are representative of the entity's exposure to risks. For example, an entity may aggregate its continuing involvement by type of financial instrument (eg guarantees or call options) or by type of transfer (eg factoring of receivables, securitisations and securities lending).

Maturity analysis for undiscounted cash outflows to repurchase transferred assets (paragraph 42E(e))

B34 Paragraph 42E(e) requires an entity to disclose a maturity analysis of the undiscounted cash outflows to repurchase derecognised financial assets or other amounts payable to the transferee in respect of the derecognised financial assets, showing the remaining contractual maturities of the entity's continuing involvement. This analysis distinguishes cash flows that are required to be paid (eg forward contracts), cash flows that the entity may be required to pay (eg written put options) and cash flows that the entity might choose to pay (eg purchased call options).

B35 An entity shall use its judgement to determine an appropriate number of time bands in preparing the maturity analysis required by paragraph 42E(e). For example, an entity might determine that the following maturity time bands are appropriate:

(a) not later than one month;

(b) later than one month and not later than three months;

(c) later than three months and not later than six months;

(d) later than six months and not later than one year;

(e) later than one year and not later than three years;

(f) later than three years and not later than five years; and

(g) more than five years.

B36 If there is a range of possible maturities, the cash flows are included on the basis of the earliest date on which the entity can be required or is permitted to pay.

Qualitative information (paragraph 42E(f))

B37 The qualitative information required by paragraph 42E(f) includes a description of the derecognised financial assets and the nature and purpose of the continuing involvement retained after transferring those assets. It also includes a description of the risks to which an entity is exposed, including:

(a) a description of how the entity manages the risk inherent in its continuing involvement in the derecognised financial assets.

(b) whether the entity is required to bear losses before other parties, and the ranking and amounts of losses borne by parties whose interests rank lower than the entity's interest in the asset (ie its continuing involvement in the asset).

(c) a description of any triggers associated with obligations to provide financial support or to repurchase a transferred financial asset.

Gain or loss on derecognition (paragraph 42G(a))

B38 Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (ie the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole. In that situation, the entity shall also disclose whether the fair value measurements included significant inputs that were not based on observable market data, as described in paragraph 27A.

Supplementary information (paragraph 42H)

B39 The disclosures required in paragraphs 42D–42G may not be sufficient to meet the disclosure objectives in paragraph 42B. If this is the case, the entity shall disclose whatever additional information is necessary to meet the disclosure objectives. The entity shall decide, in the light of its circumstances, how much additional information it needs to provide to satisfy the information needs of users and how much emphasis it places on different aspects of the additional information. It is necessary to strike a balance between burdening financial statements with excessive detail that may not assist users of financial statements and obscuring information as a result of too much aggregation.

Offsetting financial assets and financial liabilities (paragraphs 13A–13F)

Scope (paragraph 13A)

B40 The disclosures in paragraphs 13B–13E are required for all recognised financial instruments that are set off in accordance with paragraph 42 of LKAS 32. In addition, financial instruments are within the scope of the disclosure requirements in paragraphs 13B–13E if they are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with paragraph 42 of LKAS 32.

B41 The similar agreements referred to in paragraphs 13A and B40 include derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral. The similar financial instruments and transactions referred to in paragraph B40 include derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, securities borrowing, and securities lending agreements. Examples of financial instruments that are not within the scope of paragraph 13A are loans and customer deposits at the same institution (unless they are set off in the statement of financial position), and financial instruments that are subject only to a collateral agreement.

Disclosure of quantitative information for recognised financial assets and recognised financial liabilities within the scope of paragraph 13A (paragraph 13C)

B42 Financial instruments disclosed in accordance with paragraph 13C may be subject to different measurement requirements (for example, a payable related to a repurchase agreement may be measured at amortised cost, while a derivative will be measured at fair value). An entity shall include instruments at their recognised amounts and describe any resulting measurement differences in the related disclosures.

Disclosure of the gross amounts of recognised financial assets and recognised financial liabilities within the scope of paragraph 13A (paragraph 13C(a))

B43 The amounts required by paragraph 13C(a) relate to recognised financial instruments that are set off in accordance with paragraph 42 of LKAS 32. The amounts required by paragraph 13C(a) also relate to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement irrespective of whether they meet the offsetting criteria. However, the disclosures required by paragraph 13C(a) do not relate to any amounts recognised as a result of collateral agreements that do not meet the offsetting criteria in paragraph 42 of LKAS 32. Instead, such amounts are required to be disclosed in accordance with paragraph 13C(d).

Disclosure of the amounts that are set off in accordance with the criteria in paragraph 42 of LKAS 32 (paragraph 13C(b))

B44 Paragraph 13C(b) requires that entities disclose the amounts set off in accordance with paragraph 42 of LKAS 32 when determining the net amounts presented in the statement of financial position. The amounts of both the recognised financial assets and the recognised financial liabilities that are subject to set-off under the same arrangement will be disclosed in both the financial asset and financial liability disclosures. However, the amounts disclosed (in, for example, a table) are limited to the amounts that are subject to set-off. For example, an entity may have a recognised derivative asset and a recognised derivative liability that meet the offsetting criteria in paragraph 42 of LKAS 32. If the gross amount of the derivative asset is larger than the gross amount of the derivative liability, the financial asset disclosure table will include the entire amount of the derivative asset (in accordance with paragraph 13C(a)) and the entire amount of the derivative liability (in accordance with paragraph 13C(b)). However, while the financial liability disclosure table will include the entire amount of the derivative liability (in accordance with paragraph 13C(a)), it will only include the amount of the derivative asset (in accordance with paragraph 13C(b)) that is equal to the amount of the derivative liability.

Disclosure of the net amounts presented in the statement of financial position (paragraph 13C(c))

B45 If an entity has instruments that meet the scope of these disclosures (as specified in paragraph 13A), but that do not meet the offsetting criteria in paragraph 42 of LKAS 32, the amounts required to be disclosed by paragraph 13C(c) would equal the amounts required to be disclosed by paragraph 13C(a).

B46 The amounts required to be disclosed by paragraph 13C(c) must be reconciled to the individual line item amounts presented in the statement of financial position. For example, if an entity determines that the aggregation or disaggregation of individual financial statement line item amounts provides more relevant information, it must reconcile the aggregated or disaggregated amounts disclosed in paragraph 13C(c) back to the individual line item amounts presented in the statement of financial position.

Disclosure of the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 13C(b) (paragraph 13C(d))

B47 Paragraph 13C(d) requires that entities disclose amounts that are subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 13C(b). Paragraph 13C(d)(i) refers to amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in paragraph 42 of LKAS 32 (for example, current rights of set-off that do not meet the criterion in paragraph 42(b) of LKAS 32, or conditional rights of set-off that are enforceable and exercisable only in the event of default, or only in the event of insolvency or bankruptcy of any of the counterparties).

B48 Paragraph 13C(d)(ii) refers to amounts related to financial collateral, including cash collateral, both received and pledged. An entity shall disclose the fair value of those financial instruments that have been pledged or received as collateral. The amounts disclosed in accordance with paragraph 13C(d)(ii) should relate to the actual collateral received or pledged and not to any resulting payables or receivables recognised to return or receive back such collateral.

Limits on the amounts disclosed in paragraph 13C(d) (paragraph 13D)

B49 When disclosing amounts in accordance with paragraph 13C(d), an entity must take into account the effects of over-collateralisation by financial instrument. To do so, the entity must first deduct the amounts disclosed in accordance with paragraph 13C(d)(i) from the amount disclosed in accordance with paragraph 13C(c). The entity shall then limit the amounts disclosed in accordance with paragraph 13C(d)(ii) to the remaining amount in paragraph 13C(c) for the related financial instrument. However, if rights to collateral can be enforced across financial instruments, such rights can be included in the disclosure provided in accordance with paragraph 13D.

Description of the rights of set-off subject to enforceable master netting arrangements and similar agreements (paragraph 13E)

B50 An entity shall describe the types of rights of set-off and similar arrangements disclosed in accordance with paragraph 13C(d), including the nature of those rights. For example, an entity shall describe its conditional rights. For instruments subject to rights of set-off that are not contingent on a future event but that do not meet the remaining criteria in paragraph 42 of LKAS 32, the entity shall describe the reason(s) why the criteria are not met. For any financial collateral received or pledged, the entity shall describe the terms of the collateral agreement (for example, when the collateral is restricted).

Disclosure by type of financial instrument or by counterparty

B51 The quantitative disclosures required by paragraph 13C(a)–(e) may be grouped by type of financial instrument or transaction (for example, derivatives, repurchase and reverse repurchase agreements or securities borrowing and securities lending agreements).

B52 Alternatively, an entity may group the quantitative disclosures required by paragraph 13C(a)–(c) by type of financial instrument, and the quantitative disclosures required by paragraph 13C(c)–(e) by counterparty. If an entity provides the required information by counterparty, the entity is not required to identify the counterparties by name. However, designation of counterparties (Counterparty A, Counterparty B, Counterparty C, etc) shall remain consistent from year to year for the years presented to maintain comparability. Qualitative disclosures shall be considered so that further information can be given about the types of counterparties. When disclosure of the amounts in paragraph 13C(c)–(e) is provided by counterparty, amounts that are individually significant in terms of total counterparty amounts shall be separately disclosed and the remaining individually insignificant counterparty amounts shall be aggregated into one line item.

Other

B53 The specific disclosures required by paragraphs 13C–13E are minimum requirements. To meet the objective in paragraph 13B an entity may need to supplement them with additional (qualitative) disclosures, depending on the terms of the enforceable master netting arrangements and related agreements, including the nature of the rights of set-off, and their effect or potential effect on the entity's financial position.

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