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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 the Sri Lanka Accounting Standards Changes 2022 effective for annual reporting periods beginning on or after 01<sup>st</sup> January 2022 published herewith for the purpose of the Sri Lanka Accounting and Auditing Standards, Act, No. 15 of 1995. This Standard shall be effective for annual reporting periods beginning on or after 01<sup>st</sup> January 2022.

By Order of the Council,

R.S. ANOMA PRIYADARSHANI,  
Secretary.

The Institute of Chartered Accountants of Sri Lanka,  
No. 30A,  
Malalasekera Mawatha,  
Colombo 07.  
02<sup>nd</sup> March, 2023.



## **SRI LANKA ACCOUNTING STANDARDS CHANGES WITH EFFECT FROM 01<sup>ST</sup> JANUARY 2022**

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Paragraph Reference	Paragraph
<b>Conceptual Framework for Financial Reporting</b>	
<b>No Change</b>	
<b>SLFRS 1 - First-time Adoption of Sri Lanka Accounting Standards (SLFRSs)</b>	
39AG	<i>Annual Improvements to SLFRS Standards 2020</i> , issued in February 2022, amended paragraph D1(f) and added paragraph D13A. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.
39AH	<i>[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]</i>
B14	<i>[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]</i>
D1	An entity may elect to use one or more of the following exemptions: (f) cumulative translation differences (paragraphs D12–D13A);
D13A	Instead of applying paragraph D12 or paragraph D13, a subsidiary that uses the exemption in paragraph D16(a) may elect, in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to <u>SLFRSs</u> , if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in paragraph D16(a).
<b>SLFRS 2 - Share-based Payment</b>	
No changes	
<b>SLFRS 3 Business Combinations</b>	
14	Paragraphs B31–B40 provide guidance on recognising intangible assets. Paragraphs 21A–28B specify the types of identifiable assets and liabilities that include items for which this SLFRS provides limited exceptions to the recognition principle and conditions.
21	This SLFRS provides limited exceptions to its recognition and measurement principles. Paragraphs 21A–31 specify both the particular items for which exceptions are provided and the nature of those exceptions. The acquirer shall account for those items by applying the requirements in paragraphs 21A–31, which will result in some items being:

Paragraph Reference	Paragraph
21A	<p><b>Liabilities and contingent liabilities within the scope of LKAS 37 or IFRIC 21</b></p> <p><u>Paragraph 21B applies to liabilities and contingent liabilities that would be within the scope of LKAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies if they were incurred separately rather than assumed in a business combination.</u></p>
21B	<p>The <i>Conceptual Framework for Financial Reporting</i> defines a liability as ‘a present obligation of the entity to transfer an economic resource as a result of past events’. For a provision or contingent liability that would be within the scope of <u>LKAS 37</u>, the acquirer shall apply paragraphs 15–22 of <u>LKAS 37</u> to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21, the acquirer shall apply IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.</p>
21C	<p>A present obligation identified in accordance with paragraph 21B might meet the definition of a contingent liability set out in paragraph 22(b). If so, paragraph 23 applies to that contingent liability.</p>
22	<p><b>Contingent liabilities and contingent assets</b></p> <p><u>LKAS 37</u> defines a contingent liability as:</p> <p>(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or (b) a present obligation that arises from past events but is not recognised because:(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.</p>
23	<p><u>The</u> acquirer shall recognise as of the acquisition date a contingent liability assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably. Therefore, contrary to paragraphs 14(b), 23, 27, 29 and 30 of <u>LKAS 37</u>, the acquirer recognises a contingent liability assumed in a business combination at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Paragraph 56 of <u>this SLFRS</u> provides guidance on the subsequent accounting for contingent liabilities.</p>
23A	<p><u>LKAS 37</u> defines a contingent asset as ‘a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity’. The acquirer shall not recognise a contingent asset at the acquisition date.</p>

Paragraph Reference	Paragraph
64Q	<i>Reference to the Conceptual Framework</i> , issued in February 2021, amended paragraphs 11, 14, 21, 22 and 23 and added paragraphs 21A, 21B, 21C and 23A. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by <i>Amendments to References to the Conceptual Framework in SLFRS Standards</i> , issued in March 2018.
<b>SLFRS 4 - Insurance Contracts</b>	
No Change	
<b>SLFRS 5 - Non-current Assets Held for Sale and Discontinued Operations</b>	
recoverable amount	The higher of an asset's <b>fair value</b> less <b>costs of disposal</b> and its <b>value in use</b> .
<b>SLFRS 6 - Exploration for and Evaluation of Mineral Resources</b>	
No changes	
<b>SLFRS 7 - Financial Instruments: Disclosures</b>	
44II	<i>[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]</i>
<b>SLFRS 8 - Operating Segments</b>	
No changes	
<b>SLFRS 9 – Financial Instruments</b>	
7.1.9	<i>Annual Improvements to SLFRS Standards 2020</i> , issued in February 2022, added paragraphs 7.2.35 and B3.3.6A and amended paragraph B3.3.6. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.
7.2.35	<b>Transition for Annual Improvements to <u>SLFRS</u> Standards</b> An entity shall apply <i>Annual Improvements to SLFRS Standards 2020</i> to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
B3.3.6	For the purpose of paragraph 3.3.2, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In determining those fees paid net of fees received, a borrower includes

Paragraph Reference	Paragraph
	only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
B3.3.6A	If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability
<b>SLFRS 10 - Consolidated Financial Statements</b>	
No changes	
<b>SLFRS 11 - Joint Arrangements</b>	
No changes	
<b>SLFRS 12 - Disclosure of Interests in Other Entities</b>	
No changes	
<b>SLFRS 13 - Fair Value Measurement</b>	
No changes	
<b>SLFRS 14 - Regulatory Deferral Accounts</b>	
No changes	
<b>SLFRS 15 – Revenue from Contracts with Customers</b>	
No changes	
<b>SLFRS 16 – Leases</b>	
C1C	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> , issued in <u>May 2021</u> , amended paragraph 46B and added paragraphs C20BA–C20BC. A lessee shall apply that amendment for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorised for issue at 31 March 2021.
C20BA	A lessee shall apply <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (see paragraph C1C) retrospectively, recognising the cumulative effect of initially applying that amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.

Paragraph Reference	Paragraph
C20BB	In the reporting period in which a lessee first applies <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> , a lessee is not required to disclose the information required by paragraph 28(f) of <u>LKAS 8</u> .
C20BC	Applying paragraph 2 of this Standard, a lessee shall apply the practical expedient in paragraph 46A consistently to eligible contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient as a result of the lessee applying <i>Covid-19-Related Rent Concessions</i> (see paragraph C1A) or <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (see paragraph C1C).
<b>LKAS 1 - Presentation of Financial Statements</b>	
117A–117E	<i>[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]</i>
139V	<i>[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]</i>
<b>LKAS 2 - Inventories</b>	
No changes	
<b>LKAS 7 – Statement of Cash Flows</b>	
No changes	
<b>LKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors</b>	
32A–32B	<i>[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]</i>
34A	<i>[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]</i>
54I	<i>[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]</i>
<b>LKAs 10 - Events after the Reporting Period</b>	
No changes	
<b>LKAS 12 – Income Taxes</b>	
22A	<i>[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]</i>
98J–98L	<i>[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]</i>



Paragraph Reference	Paragraph
<b>LKAS 16 – Property, Plant and Equipment</b>	
17(e)	costs of testing whether the asset is functioning properly (ie assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes); and
20A	Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly). An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of <u>LKAS 2</u> .
74	The financial statements shall also disclose: <ul style="list-style-type: none"> <li>(a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities;</li> <li>(b) the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction; and</li> <li>(c) the amount of contractual commitments for the acquisition of property, plant and equipment. <del>and</del></li> </ul>
74A	If not presented separately in the statement of comprehensive income, the financial statements shall also disclose: <ul style="list-style-type: none"> <li>(a) the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss; and</li> <li>(b) the amounts of proceeds and cost included in profit or loss in accordance with paragraph 20A that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.</li> </ul>
<u>80D</u>	<i>Property, Plant and Equipment—Proceeds before Intended Use</i> , issued <u>in February 2021</u> , amended paragraphs 17 and 74 and added paragraphs 20A and 74A. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an

Paragraph Reference	Paragraph
	adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
81N	<i>Property, Plant and Equipment—Proceeds before Intended Use</i> , issued in <u>February 2021</u> , amended paragraphs 17 and 74, and added paragraphs 20A, 74A and 80D. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.
<b>LKAS 19 – Employee Benefits</b>	
No changes	
<b>LKAS 20 - Accounting for Government Grants and Disclosure of Government Assistance</b>	
No changes	
<b>LKAS 21 - The Effects of Changes in Foreign Exchange Rates</b>	
No changes	
<b>LKAS 23 – Borrowing Costs</b>	
No changes	
<b>LKAS 24 – Related Party Disclosures</b>	
No changes	
<b>LKAS 26 - Accounting and Reporting by Retirement Benefit Plans</b>	
38	<i>[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]</i>
<b>LKAS 27 - Separate Financial Statements</b>	
No changes	
<b>LKAS 28 - Investments in Associates and Joint Ventures</b>	
No changes	
<b>LKAS 29 - Financial Reporting in Hyperinflationary Economies</b>	
No changes	
<b>LKAS 32 - Financial Instruments: Presentation</b>	
No changes	
<b>LKAS 33 - Earnings per Share</b>	
No changes	
<b>LKAS 34 - Interim Financial Reporting</b>	
60	<i>[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]</i>

Paragraph Reference	Paragraph
<b>LKAS 36 - Impairment of Assets</b>	
No changes	
<b>LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets</b>	
68A	The cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both: <ul style="list-style-type: none"> <li>(a) the incremental costs of fulfilling that contract—for example, direct labour and materials; and</li> <li>(b) an allocation of other costs that relate directly to fulfilling contracts—for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.</li> </ul>
69	Before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract (see LKAS 36).
94A	<i>Onerous Contracts—Cost of Fulfilling a Contract</i> , issued in May 2020, added paragraph 68A and amended paragraph 69. An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
105	<i>Onerous Contracts—Cost of Fulfilling a Contract</i> , issued in <u>February 2021</u> , added paragraphs 68A and 94A and amended paragraph 69. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.
<b>LKAS 38 – Intangible Assets</b>	
No changes	
<b>LKAS 39 - Financial Instruments: Recognition and Measurement</b>	
102Y	When an entity applies paragraph 102P to groups of items designated as hedged items in a fair value or cash flow hedge, the entity shall allocate the hedged items to subgroups based on the benchmark rate being hedged and designate the benchmark rate as the hedged risk for each subgroup. For example, in a hedging relationship in which a group of items is hedged for changes in an interest rate benchmark subject to interest rate benchmark reform, the hedged cash flows or fair value of some items in the group could be changed

Paragraph Reference	Paragraph
	to reference an alternative benchmark rate before other items in the group are changed. In this example, in applying paragraph 102P, the entity would designate the alternative benchmark rate as the hedged risk for that relevant subgroup of hedged items. The entity would continue to designate the existing interest rate benchmark as the hedged risk for the other subgroup of hedged items until the hedged cash flows or fair value of those items are changed to reference the alternative benchmark rate or the items expire and are replaced with hedged items that reference the alternative benchmark rate.
<b>LKAS 40 – Investment Property</b>	
20	An owned investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement.
<b>LKAS 41 - Agriculture</b>	
22	An entity does not include any cash flows for financing the assets or re-establishing biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest).
65	<i>Annual Improvements to SLFRS Standards 2020</i> , issued in <u>February 2022</u> , amended paragraph 22. An entity shall apply that amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

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