Sinhala and Tamil versions of this *Gazette* extraordinary will be published seperately.

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# The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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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 2015 Amendments to the Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs) with effect from 01st January 2017, published herewith for the purpose of the Sri Lanka Accounting and Auditing Standards, Act, No. 15 of 1995. This Amendments shall be effective for financial statements covering period commencing on or after the first day of January Two Thousand Seventeen. 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.
08th November, 2016.

# 2015 AMENDMENTS TO THE SRI LANKA ACCOUNTING STANDARD FOR SMALL AND MEDIUM-SIZED ENTITIES (SLFRS FOR SMES)

## CONTENTS

**APPENDICES**

## Amendments to Section 1 *Small and Medium-sized Entities*

Paragraph 1.3 is amended and paragraph 1.7 is added. Deleted text is struck through and new text is underlined.

**Description of small and medium-sized entities**

1.3 An entity has public accountability if:

(a) ...

(b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. ~~This is typically the case for~~ Most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks would meet this second criterion.

...

1.7 A parent entity (including the ultimate parent or any intermediate parent) assesses its eligibility to use this SLFRS in its separate financial statements on the basis of its own status without considering whether other group entities have, or the group as a whole has, public accountability. If a parent entity by itself does not have public accountability, it may present its separate financial statements in accordance with this SLFRS (see Section 9 Consolidated and Separate Financial Statements), even if it presents its consolidated financial statements in accordance with full SLFRSs or another set of generally accepted accounting principles (GAAP), such as its national accounting standards. Any financial statements prepared in accordance with this SLFRS shall be clearly distinguished from financial statements prepared in accordance with other requirements.

## Amendments to Section 2 *Concepts and Pervasive Principles*

A heading and paragraphs 2.14A–2.14D are added and paragraphs 2.22, 2.47 and 2.49–2.50 are amended. Deleted text is struck through and new text is underlined.

## Undue cost or effort

2.14A An undue cost or effort exemption is specified for some requirements in this SLFRS. This exemption shall not be used for other requirements in this SLFRS.

2.14B Considering whether obtaining or determining the information necessary to comply with a requirement would involve undue cost or effort depends on the entity's specific circumstances and on management's judgement of the costs and benefits from applying that requirement. This judgement requires consideration of how the economic decisions of those that are expected to use the financial statements could be affected by not having that information. Applying a requirement would involve undue cost or effort by an SME if the incremental cost (for example, valuers' fees) or additional effort (for example, endeavours by employees) substantially exceed the benefits that those that are expected to use the SME's financial statements would receive from having the information. An assessment of undue cost or effort by an SME in accordance with this SLFRS would usually constitute a lower hurdle than an assessment of undue cost or effort by a publicly accountable entity because SMEs are not accountable to public stakeholders.

2.14C Assessing whether a requirement would involve undue cost or effort on initial recognition in the financial statements, for example at the date of the transaction, should be based on information about the costs and benefits of the requirement at the time of initial recognition. If the undue cost or effort exemption also applies subsequent to initial recognition, for example to a subsequent measurement of an item, a new assessment of undue cost or effort should be made at that subsequent date, based on information available at that date.

2.14D Except for the undue cost or effort exemption in paragraph 19.15, which is covered by the disclosure requirements in paragraph19.25, whenever an undue cost or effort exemption is used by an entity, the entity shall disclose that fact and the reasons why applying the requirement would involve undue cost or effort.

...

**Equity**

2.22 Equity is the residual of recognised assets minus recognized liabilities. It may be subclassified in the statement of financial position. For example, in a corporate entity, subclassifications may include funds contributed by shareholders, retained earnings and ~~gains or losses recognised directly in~~ items of other comprehensive income recognised as a separate component of equity. This SLFRS does not prescribe how, when or if amounts can be transferred between components of equity.

...

**Financial assets and financial liabilities**

2.47 An entity measures basic **financial assets** and basic **financial liabilities,** as defined in Section 11 Basic Financial Instruments, at amortised cost less impairment except for investments in non-convertible and non-puttable preference shares ~~and non-puttable~~ ordinary or preference shares that are **publicly traded** or whose fair value can otherwise be measured reliably without undue cost or effort, which are measured at fair value with changes in fair value recognised in profit or loss.

...

**Non-financial assets**

2.49 Most non-financial assets that an entity initially recognised at historical cost are subsequently measured on other measurement bases. For example:

(a) An entity measures property, plant and equipment either at the lower of ~~depreciated~~ cost less any accumulated depreciation and impairment and the recoverable amount (cost model), or the lower of the revalued amount and the recoverable amount (revaluation model).

(b) ...

2.50 For the following types of non-financial assets, this SLFRS permits or requires measurement at fair value:

(a) ...

(d) property, plant and equipment that an entity measures in accordance with the revaluation model (see paragraph 17.15B).

## Amendments to Section 4 *Statement of Financial Position*

Paragraphs 4.2 and 4.12 are amended. New text is underlined.

**Information to be presented in the statement of financial position**

4.2 As a minimum, the statement of financial position shall include line items that present the following amounts:

(a) ...

(ea) **investment property** carried at cost less accumulated depreciation and impairment.

(f) ...

**Information to be presented either in the statement of financial position or in the notes**

...

4.12 An entity with share capital shall disclose the following, either in the statement of financial position or in the notes:

(a) for each class of share capital:

(i) ...

(iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period. This reconciliation need not be presented for prior periods.

(v) ...

## Amendments to Section 5 *Statement of Comprehensive Income and Income Statement*

Paragraphs 5.4–5.5 are amended. Deleted text is struck through and new text is underlined.

**Single-statement approach**

5.4 Under the single-statement approach, the statement of comprehensive income shall include all items of income and expense recognised in a period unless this SLFRS requires otherwise. This SLFRS provides different treatment for the following circumstances:

(a) ...

(b) ~~Three~~ Four types of **other comprehensive income** are recognised as part of total comprehensive income, outside of profit or loss, when they arise:

(i) ...

(iv) changes in the revaluation surplus for property, plant and equipment measured in accordance with the revaluation model (see Section 17 *Property, Plant and Equipment*).

5.5 As a minimum, an entity shall include, in the statement of comprehensive income, line items that present the following amounts for the period:

(a) ...

(d) **tax expense** excluding tax allocated to items (e), (g) and (h) below (see paragraph 29.35~~27~~).

(e) a single amount comprising the total of:

(i) ...

(ii) the post-tax gain or loss ~~recognised on the measurement to fair value less costs to sell or on~~ attributable to an impairment, or reversal of an impairment, of the assets in the discontinued operation (see Section 27 Impairment of Assets), both at the time and subsequent to being classified as a discontinued operation, and to the disposal of the net assets constituting the discontinued operation.

(f) ...

(g) each item of other comprehensive income (see paragraph 5.4(b)) classified by nature (excluding amounts in (h)). Such items shall be grouped into those that, in accordance with this SLFRS:

(i) will not be reclassified subsequently to profit or loss—ie those in paragraph 5.4(b)(i)–(ii) and (iv), and

(ii) will be reclassified subsequently to profit or loss when specific conditions are met—ie those in paragraph 5.4(b)(iii).

(h) ...

## Amendments to Section 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings*

Paragraphs 6.2–6.3 are amended. Deleted text is struck through and new text is underlined.

**Purpose**

6.2 The statement of changes in equity presents an entity's profit or loss for a **reporting period**, ~~items of income and expense~~ ~~recognised in~~ **other comprehensive income** for the period, the effects of changes in **accounting policies** and corrections of errors recognised in the period, and the amounts of investments by, and dividends and other distributions to, ~~equity investors~~ owners in their capacity as owners during the period.

**Information to be presented in the statement of changes in equity**

6.3 ~~An entity shall present a~~ The statement of changes in equity ~~showing in the statement~~ includes the following information:

(a) ...

(c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

(i) ...

(ii) ~~each item of~~ other comprehensive income.

(iii) the amounts of investments by, and dividends and other distributions to, owners in their capacity as owners, showing separately issues of shares, treasury share transactions, dividends and other distributions to owners, and changes in ownership interests in subsidiaries that do not result in a loss of control.

## Amendments to Section 9 *Consolidated and Separate Financial Statements*

Paragraphs 9.1–9.3, 9.16, 9.18, 9.24–9.26 and 9.28 are amended and paragraphs 9.3A–9.3C and 9.23A are added. Deleted text is struck through and new text is underlined.

**Scope of this section**

9.1 This section defines the circumstances in which an entity applying this SLFRS presents **consolidated financial statements** and the procedures for preparing those statements in accordance with this SLFRS. It also includes guidance on **separate financial statements** and **combined financial statements** if they are prepared in accordance with this SLFRS. If a parent entity by itself does not have public accountability, it may present its separate financial statements in accordance with this SLFRS, even if it presents its consolidated financial statements in accordance with full SLFRSs or another set of generally accepted accounting principles (GAAP).

**Requirement to present consolidated financial statements**

9.2 Except as permitted or required by paragraphs 9.3 and 9.3C, a **parent** entity shall present consolidated financial statements in which it consolidates its investments in **subsidiaries** ~~in accordance with this SLFRS~~. Consolidated financial statements shall include all subsidiaries of the parent.

9.3 A parent need not present consolidated financial statements if: ~~(a)~~ both of the following conditions are met:

(~~i~~a) the parent is itself a subsidiary, and

(~~ii~~b) its ultimate parent (or any intermediate parent) produces consolidated **general purpose financial statements** that comply with **full SLFRSs** or with this SLFRS.; ~~or~~

~~(b) it has no subsidiaries other than one that was acquired with the intention of selling or disposing of it within one year. A parent shall account for such a subsidiary:~~

~~(i) at fair value with changes in fair value recognised in profit or loss, if the fair value of the shares can be measured reliably, or~~

~~(ii) otherwise at cost less impairment(see paragraph 11.14(c)).~~

9.3A Subject to paragraph 9.3B, a subsidiary is not consolidated if it is acquired and is held with the intention of selling or disposing of it within one year from its acquisition date (ie the date on which the acquirer obtains control of the acquiree). Such a subsidiary is accounted for in accordance with the requirements in Section 11 as for investments in paragraph 11.8(d), rather than in accordance with this section. The parent shall also provide the disclosure in paragraph 9.23A.

9.3B If a subsidiary previously excluded from consolidation in accordance with paragraph 9.3A is not disposed of within one year from its acquisition date (ie the parent entity still has control over that subsidiary):

(a) the parent shall consolidate the subsidiary from the acquisition date unless it meets the condition in paragraph 9.3B(b). Consequently, if the acquisition date was in a prior period, the relevant prior periods shall be restated.

(b) if the delay is caused by events or circumstances beyond the parent's control and there is sufficient evidence at the reporting date that the parent remains committed to its plan to sell or dispose of the subsidiary, the parent shall continue to account for the subsidiary in accordance with paragraph 9.3A.

9.3C If a parent has no subsidiaries other than subsidiaries that are not required to be consolidated in accordance with paragraphs 9.3A–9.3B, it shall not present consolidated financial statements. However, the parent shall provide the disclosure in paragraph 9.23A.

### Uniform reporting date

9.16 The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall be prepared as of the same **reporting date** unless it is **impracticable** to do so. If it is impracticable to prepare the financial statements of a subsidiary as of the same reporting date as the parent, the parent shall consolidate the financial information of the subsidiary using the most recent financial statements of the subsidiary, adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

...

### Acquisition and disposal of subsidiaries

9.18 The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date~~. The income and expenses of a subsidiary are included in the consolidated financial statements~~ until the date on which the parent ceases to control the subsidiary. When a parent ceases to control a subsidiary, ~~T~~the difference between the proceeds from the disposal of the subsidiary and its carrying amount ~~as of~~ at the date ~~of disposal, excluding the cumulative amount of any exchange differences that relate to a foreign subsidiary recognised in equity in accordance with Section 30 *Foreign Currency Translation*~~, that control is lost is recognised in profit or loss in the consolidated statement of comprehensive income (or the income statement, if presented) as the gain or loss on the disposal of the subsidiary. The cumulative amount of any exchange differences that relate to a foreign subsidiary recognised in other comprehensive income in accordance with Section 30 *Foreign Currency Translation* is not reclassified to profit or loss on disposal of the subsidiary.

...

**Disclosures in consolidated financial statements**

...

9.23A In addition to the disclosure requirements in Section 11, a parent entity shall disclose the carrying amount of investments in subsidiaries that are not consolidated (see paragraphs 9.3A–9.3C) at the reporting date, in total, either in the statement of financial position or in the notes.

**Separate financial statements**

## Presentation of separate financial statements

9.24 ~~Paragraph 9.2 requires a parent to present consolidated financial statements.~~ This SLFRS does not require presentation of **separate financial statements** for the parent entity or for the individual subsidiaries.

9.25 ~~The financial statements of an entity that does not have a subsidiary are not separate financial statements. Therefore, an entity that is not a parent but is an investor in an associate or has a venturer's interest in a joint venture presents its financial statements in compliance with Section 14 or Section 15, as appropriate. It may also elect to present separate financial statements~~. Separate financial statements are a second set of financial statements presented by an entity in addition to any of the following:

(a) consolidated financial statements prepared by a parent,

(b) financial statements prepared by a parent exempted from preparing consolidated financial statements by paragraph 9.3C, or

(c) financial statements prepared by an entity that is not a parent but is an investor in an associate or has a venturer's interest in a joint venture.

**Accounting policy election**

9.26 When a parent, an investor in an associate, or a venturer with an interest in a jointly controlled entity prepares separate financial statements and describes them as conforming to the SLFRS for SMEs, those statements shall comply with all of the requirements of this SLFRS except as follows. The entity shall adopt a policy of accounting for its investments in subsidiaries, associates and **jointly controlled entities** in its separate financial statements either:

(a) at cost less impairment; ,~~or~~

(b) at **fair value** with changes in fair value recognised in profit or loss; or.

(c) using the equity method following the procedures in paragraph 14.8.

...

**Combined financial statements**

9.28 Combined financial statements are a single set of financial statements of two or more entities ~~controlled by a single investor~~ under common control (as described in paragraph 19.2(a)). This SLFRS does not require combined financial statements to be prepared.

## Amendments to Section 10 *Accounting Policies, Estimates and Errors*

Paragraph 10.10A is added. New text is underlined.

### Changes in accounting policies

...

<u>10.10A</u> <u>The initial application of a policy to revalue assets in accordance with Section 17 Property, Plant and Equipment is a change in an accounting policy to be dealt with as a revaluation in accordance with Section 17. Consequently a change from the cost model to the revaluation model for a class of property, plant and equipment shall be accounted for prospectively, instead of in accordance with paragraphs 10.11–10.12.</u>

## Amendments to Section 11 *Basic Financial Instruments*

Paragraphs 11.4, 11.7, 11.9, 11.11, 11.13–11.15, 11.27, 11.32 and 11.44 are amended and paragraphs 11.9A –11.9B are added. Deleted text is struck through and new text is underlined.

### Introduction to Section 11

...

11.4 Section 11 requires an amortised cost model for all basic financial instruments except for investments in non-convertible ~~and non-puttable~~ preference shares and non-puttable ordinary <u>or preference</u> shares that are **publicly traded** or whose fair value can otherwise be measured reliably <u>without undue cost or effort</u>.

...

## Scope of Section 11

11.7 Section 11 applies to all financial instruments meeting the conditions of paragraph 11.8 except for the following:

(a) …

(b) financial instruments that meet the definition of an entity's own equity, <u>including the equity component of compound financial instruments issued by the entity</u> (see Section 22 *Liabilities and Equity* ~~and Section 26 *Share-based Payment*~~)~~.~~

(c) leases, to which Section 20 *Leases* <u>or paragraph 12.3(f)</u> appl<u>y</u>~~ies~~. However, the derecognition requirements in paragraphs 11.33–11.38 apply to the derecognition of lease receivables recognised by a lessor and lease payables recognised by a lessee, <u>and the impairment requirements in paragraphs 11.21–11.26 apply to lease receivables recognised by a lessor.</u> ~~Also, Section 12 may apply to leases with characteristics specified in paragraph 12.3(f).~~

(d) ...

<u>(e)</u> <u>financial instruments, contracts and obligations under share-based payment transactions to which Section 26 applies.</u>

<u>(f)</u> <u>reimbursement assets that are accounted for in accordance with Section 21 *Provisions and Contingencies* (see paragraph 21.9).</u>

...

## Basic financial instruments

…

11.9 A debt instrument that satisfies all of the conditions in (a)–(d) below shall be accounted for in accordance with Section 11:

(a) Returns to the holder (the lender/creditor) assessed in the currency in which the debt instrument is denominated are:

(i) ...

(iv) some combination of such fixed ~~rate~~ and variable rates ~~(such as LIBOR plus 200 basis points)~~, provided that both the fixed and variable rates are positive (eg an interest rate swap with a positive fixed rate and negative variable rate would not meet this criterion). For fixed and variable rate interest returns, interest is calculated by multiplying the rate for the applicable period by the principal amount outstanding during the period.

(b) There is no contractual provision that could, by its terms, result in the holder (the lender/creditor) losing the principal amount or any interest attributable to the current period or prior periods. The fact that a debt instrument is subordinated to other debt instruments is not an example of such a contractual provision.

(c) Contractual provisions that permit or require the issuer (the ~~debtor~~ borrower) to prepay a debt instrument or permit or require the holder (the lender/creditor) to put it back to the issuer (ie to demand repayment) before maturity are not contingent on future events. other than to protect:

(i) the holder against a change in the credit risk of the issuer or the instrument (for example, defaults, credit downgrades or loan covenant violations) or a change in control of the issuer; or

(ii) the holder or issuer against changes in relevant taxation or law.

(d) ...

11.9A Examples of debt instruments that would normally satisfy the conditions in paragraph 11.9(a)(iv) include:

(a) a bank loan that has a fixed interest rate for an initial period that then reverts to a quoted or observable variable interest rate after that period; and

(b) a bank loan with interest payable at a quoted or observable variable interest rate plus a fixed rate throughout the life of the loan, eg LIBOR plus 200 basis points.

11.9B An example of a debt instrument that would normally satisfy the conditions set out in paragraph 11.9(c) would be a bank loan that permits the borrower to terminate the arrangement early, even though the borrower may be required to pay a penalty to compensate the bank for its costs of the borrower terminating the arrangement early.

...

11.11 Examples of financial instruments that do not satisfy the conditions in paragraph 11.9 (and are therefore within the scope of Section 12) include:

(a) ...

~~(e) a loan receivable from a third party that gives the third party the right or obligation to prepay if the applicable taxation or accounting requirements change, because such a loan does not meet the condition in paragraph 11.9(c).~~

...

**Initial measurement**

11.13 When a financial asset or financial liability is recognised initially, an entity shall measure it at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are subsequently measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction for either the entity (for a financial liability) or the counterparty (for a financial asset) to the arrangement. An arrangement constitutes a financing transaction ~~may take place in connection with the sale of goods or services, for example~~, if payment is deferred beyond normal business terms, for example, providing interest-free credit to a buyer for the sale of goods, or is financed at a rate of interest that is not a market rate, for example, an interest-free or below market interest rate loan made to an employee. If the arrangement constitutes a financing transaction, the entity shall measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument as determined at initial recognition.

...

## Subsequent measurement

11.14 At the end of each **reporting period**, an entity shall measure financial instruments as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

(a) Debt instruments that meet the conditions in paragraph 11.8(b) shall be measured at **amortised cost** using the **effective interest method**. Paragraphs 11.15–11.20 provide guidance on determining amortised cost using the effective interest method. Debt instruments that are classified as current assets or current liabilities shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received (ie net of impairment—see paragraphs 11.21–11.26) unless the arrangement constitutes, in effect, a financing transaction (see paragraph 11.13). ~~If the arrangement constitutes a financing transaction, the entity shall measure the debt instrument at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.~~

(b) ...

(c) Investments in non-convertible preference shares and non-puttable ordinary or preference shares ~~that meet the conditions in paragraph 11.8(d)~~ shall be measured as follows (paragraphs 11.27–11.3~~3~~2 provide guidance on fair value):

(i) if the shares are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort, the investment shall be measured at fair value with changes in fair value recognised in profit or loss.

(ii) ...

## Amortised cost and effective interest method

11.15 The amortised cost of a financial asset or financial liability at each reporting date is the net of the following amounts:

(a) ...

Financial assets and financial liabilities that have no stated interest rate, that do not relate to an arrangement that constitutes a financing transaction and that are classified as current assets or current liabilities are initially measured at an undiscounted amount in accordance with paragraph 11.13 ~~4(a).~~ Therefore, (c) above does not apply to them.

...

## Fair value

11.27 ~~Paragraph 11.14(c)(i) requires an investment in ordinary shares or preference shares to be measured at fair value if the fair value of the shares can be measured reliably.~~ An entity shall use the following hierarchy to estimate the fair value-of ~~the shares~~ an asset:

(a) The best evidence of fair value is a quoted price for an identical asset (or similar asset) in an **active market**. This is usually the current bid price.

(b) When quoted prices are unavailable, the price ~~of~~ in a binding sale agreement or a recent transaction for an identical asset (or similar asset) in an arm's length transaction between knowledgeable, willing parties provides evidence of fair value ~~as long as there has not~~. However this price may not be a good estimate of fair value if there has been a significant change in economic circumstances or a significant ~~lapse~~ period of time ~~since~~ between the date of the binding sale agreement, or the transaction, and the measurement date ~~took place~~. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (eg because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), then that price is adjusted.

(c) If the market for the asset is not active and any binding sale agreements or recent transactions of an identical asset (or similar asset) on their own are not a good estimate of fair value, an entity estimates the fair value by using ~~a~~ another valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Other sections of this SLFRS make reference to the fair value guidance in paragraphs 11.27–11.32, including Section 9, Section 12, Section 14, Section 15, ~~and~~ Section 16 *Investment Property*, Section 17 *Property, Plant and Equipment* and Section 28. ~~In applying that guidance to assets covered by those sections, the reference to ordinary shares or preference shares in this paragraph should be read to include the types of assets covered by those sections.~~

...

**No active market: ~~equity instruments~~**

...

11.32 If a reliable measure of fair value is no longer available for an asset measured at fair value (or is not available without undue cost or effort when such an exemption is provided (see paragraphs 11.14(c) and 12.8(b) ~~eg an equity instrument measured at fair value through profit or loss),~~ its carrying amount at the last date the asset was reliably measurable becomes its new cost. The entity shall measure the asset at this cost amount less impairment until a reliable measure of fair value becomes available (or becomes available without undue cost or effort when such an exemption is provided).

...

**Statement of financial position – categories of financial assets and financial liabilities**

…

11.44 If a reliable measure of fair value is no longer available, or is not available without undue cost or effort when such an exemption is provided, for any financial equity instruments that would otherwise be required to be measured at fair value through profit or loss in accordance with this SLFRS, the entity shall disclose that fact, the carrying amount of those financial instruments, and, if an undue cost or effort exemption has been used, the reasons why a reliable fair value measurement would involve undue cost or effort.

## Amendments to Section 12 *Other Financial Instruments Issues*

Paragraphs 12.3, 12.8–12.9, 12.23, 12.25 and 12.29 are amended. Deleted text is struck through and new text is underlined.

### Scope of Section 12

12.3 Section 12 applies to all financial instruments except the following:

(a) ...

(b) ~~interests in subsidiaries (see Section 9 *Consolidated and Separate Financial Statements*), associates (see Section 14 *Investments in Associates*) and joint ventures (see Section 15 *Investments in Joint Ventures*)~~ investments in **subsidiaries**, **associates** and **joint ventures** that are accounted for in accordance with Section 9 *Consolidated and Separate Financial Statements*, Section 14 *Investments in Associates* or Section 15 *Investments in Joint Ventures*.

(c) ...

(e) financial instruments that meet the definition of an entity's own equity, including the equity component of compound financial instruments issued by the entity (see Section 22 *Liabilities and Equity* ~~and Section 26 *Share-based Payment*~~).

(f) leases within the scope of (~~see~~ Section 20 Leases). Consequently, Section 12 applies to leases that ~~unless the lease~~ could result in a loss to the lessor or the lessee as a result of contractual terms that are unrelated to:

(i) ...

(ii) changes in foreign exchange rates; ~~or~~

(iii) ~~a default by one of the counterparties~~ changes in lease payments based on variable market interest rates; or

(iv) a default by one of the counterparties.

(g) ...

(h) financial instruments, contracts and obligations under share-based payment transactions to which Section 26 *Share-based Payment* applies.

(i) reimbursement assets that are accounted for in accordance with Section 21 *Provisions and Contingencies* (see paragraph 21.9).

...

## Subsequent measurement

12.8 At the end of each **reporting period**, an entity shall measure all financial instruments within the scope of Section 12 at fair value and recognise changes in fair value in profit or loss, except as follows:

(a) some changes in the fair value of hedging instruments in a designated hedging relationship are required to be recognised in other comprehensive income by paragraph 12.23.

(b) equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort, and contracts linked to such instruments that, if exercised, will result in delivery of such instruments, shall be measured at cost less impairment.

12.9 If a reliable measure of fair value is no longer available without undue cost or effort for an equity instrument, or a contract linked to such an instrument that if exercised will result in the delivery of such instruments, that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date that the instrument was reliably measurable without undue cost or effort is treated as the cost of the instrument. The entity shall measure the instrument at this cost amount less impairment until it is able to determine a reliable measure of fair value ~~becomes available~~ without undue cost or effort.

...

### Hedge of variable interest rate risk of a recognised financial instrument, foreign exchange risk or commodity price risk in a firm commitment or highly probable forecast transaction, or a net investment in a foreign operation

12.23 If the conditions in paragraph 12.16 are met and the hedged risk is:

(a) ...

the entity shall recognise in other comprehensive income the portion of the change in the fair value of the hedging instrument that was effective in offsetting the change in the fair value or expected cash flows of the hedged item. The entity shall recognise in profit or loss in each period any excess (in absolute amount) of the cumulative change in fair value of the hedging instrument over the cumulative change in the fair value of the expected cash flows since inception of the hedge (sometimes called hedge ineffectiveness). The hedging gain or loss recognised in other comprehensive income shall be reclassified to profit or loss when the hedged item is recognised in profit or loss, ~~or when the hedging relationship ends~~. subject to the requirements in paragraph 12.25. However, the cumulative amount of any exchange differences that relate to a hedge of a net investment in a foreign operation recognised in other comprehensive income shall not be reclassified to profit or loss on disposal or partial disposal of the foreign operation.

...

12.25 The entity shall discontinue prospectively the hedge accounting specified in paragraph 12.23 if:

(a) ...

If the forecast transaction is no longer expected to take place or if the hedged debt instrument measured at amortised cost is derecognised, any gain or loss on the hedging instrument that was recognised in other comprehensive income shall be reclassified ~~from other comprehensive income~~ to profit or loss.

## Disclosures

...

12.29 If an entity uses hedge accounting for a hedge of variable interest rate risk, foreign exchange risk, commodity price risk in a firm commitment or highly probable forecast transaction, or a net investment in a foreign operation (paragraphs 12.23–12.25) it shall disclose the following:

(a) ...

(d) the amount that was reclassified ~~from other~~ ~~comprehensive income~~ to profit or loss for the period (paragraphs 12.23 and 12.25).

(e) the amount of any excess of the cumulative change in fair value of the hedging instrument over the cumulative change in the fair value of the expected cash flows that was recognised in profit or loss for the period (paragraph 12.234).

# Amendments to Section 14 *Investments in Associates*

Paragraph 14.15 is amended. New text is underlined.

## Disclosures

...

14.15 For investments in associates accounted for by the fair value model, an investor shall make the disclosures required by paragraphs 11.41–11.44. If an investor applies the undue cost or effort exemption in paragraph 14.10 for any associates it shall disclose that fact, the reasons why fair value measurement would involve undue cost or effort and the carrying amount of investments in associates accounted for under the cost model.

# Amendments to Section 15 *Investments in Joint Ventures*

Paragraph 15.21 is amended. New text is underlined.

### Disclosures

...

15.21 For jointly controlled entities accounted for in accordance with the fair value model, the venturer shall make the disclosures required by paragraphs 11.41–11.44. If a venturer applies the undue cost or effort exemption in paragraph 15.15 for any jointly controlled entity it shall disclose that fact, the reasons why fair value measurement would involve undue cost or effort and the carrying amount of investments in jointly controlled entities accounted for under the cost model.

## Amendments to Section 16 *Investment Property*

Paragraph 16.10 is amended. Deleted text is struck through and new text is underlined.

### Disclosures

16.10 An entity shall disclose the following for all investment property accounted for at fair value through profit or loss (paragraph 16.7):

(a) ...

(e) a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing separately:

(i) ...

(iii) transfers to and from investment property~~, plant and equipment when a reliable measure of fair value is no longer available without undue cost or effort~~ carried at cost less accumulated depreciation and impairment (see paragraph 16.8).

(iv) ...

## Amendments to Section 17 *Property, Plant and Equipment*

Paragraphs 17.5–17.6 and 17.31–17.32 are amended. Paragraph 17.15 is renumbered paragraph 17.15A and a new paragraph 17.15 is added. Paragraphs 17.15B–17.15D and their related headings and paragraph 17.33 are also added. Deleted text is struck through and new text is underlined.

### Recognition

...

17.5 Items such as ~~S~~spare parts, stand-by equipment and servicing equipment are recognised in accordance with this section when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory. ~~usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts and stand-by equipment are property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are considered property, plant and equipment.~~

17.6 Parts of some items of property, plant and equipment may require replacement at regular intervals (eg the roof of a building). An entity shall add to the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the entity. The **carrying amount** of those parts that are replaced is **derecognised** in accordance with paragraphs 17.27–17.30 regardless of whether the replaced parts had been depreciated separately. If it isnot practicable for an entity to determine the carrying amount of the replaced part, the entity may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed. Paragraph 17.16 provides that if the major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, an entity shall allocate the initial cost of the asset to its major components and **depreciate** each such component separately over its **useful life.**

...

### Measurement after initial recognition

17.15 An entity shall choose either the cost model in paragraph 17.15A or the revaluation model in paragraph 17.15B as its accounting policy and shall apply that policy to an entire class of property, plant and equipment. An entity shall apply the cost model to investment property whose fair value cannot be measured reliably without undue cost or effort. An entity shall recognise the costs of day-to-day servicing of an item of property, plant and equipment in profit or loss in the period in which the costs are incurred.

**Cost model**

17.15A An entity shall measure ~~all~~ an item of property, plant and equipment after initial recognition at cost less any accumulated depreciation and any accumulated **impairment losses**. ~~An entity shall recognise the costs of day-to-day servicing of an item of property, plant and equipment in profit or loss in the period in which the costs are incurred.~~

**Revaluation model**

17.15B An entity shall measure an item of property, plant and equipment whose fair value can be measured reliably at a revalued amount, being it fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Paragraphs 11.27–11.32 provide guidance on determining fair value. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.

17.15C If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

17.15D If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

...

### Disclosures

17.31 An entity shall disclose the following for each class of property, plant and equipment determined ~~that was deemed appropria~~te in accordance with paragraph 4.11(a) and separately for investment property carried at cost less accumulated depreciation and impairment:

(a) ...

(e) a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately:

(i) ...

(iv) increases or decreases resulting from revaluations under paragraphs 17.15B–17.15D and from impairment losses recognized or reversed in other comprehensive income in accordance with Section 27.

(iv) transfers to and from investment property ~~if a reliable measure of fair value becomes available~~ carried at fair value through profit or loss (see paragraph 16.8).

(vi) ...

17.32 The entity shall also disclose the following:

(a) ...

(c) If an entity has investment property whose fair value cannot be measured reliably without undue cost or effort it shall disclose that fact and the reasons why fair value measurement would involve undue cost or effort for those items of investment property.

17.33 If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed:

(a) the effective date of the revaluation;

(b) whether an independent valuer was involved;

(c) the methods and significant assumptions applied in estimating the items' fair values;

(d) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and

(e) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

## Amendments to Section 18 *Intangible Assets other than Goodwill*

Paragraphs 18.8 and 18.20 are amended. Deleted text is struck through and new text is underlined.

**Acquisition as part of a business combination**

18.8 An intangible asset acquired in a **business combination** ~~is normally~~ shall be recognised ~~as an asset~~ unless its fair value cannot be measured reliably without undue cost or effort at the acquisition date. ~~because its fair value can be measured with sufficient reliability. However, an intangible asset acquired in a business combination is not recognised when it arises from legal or other contractual rights and its fair value cannot be measured reliably because the asset either:~~

~~(a) is not separable from goodwill, or~~

~~(b) is separable from goodwill but there is no history or evidence of exchange transactions for the same or similar assets, and otherwise estimating fair value would be dependent on immeasurable variables.~~

…

## Amortisation over useful life

...

18.20 If ~~an entity is unable to make a reliable estimate of~~ the useful life of an intangible asset cannot be established reliably, the life shall be ~~presumed to be~~ determined based on management's best estimate but shall not exceed ten years.

## Amendments to Section 19 *Business Combinations and Goodwill*

Paragraphs 19.2, 19.11, 19.14–19.15, 19.23 and 19.25–19.26 are amended. Deleted text is struck through and new text is underlined.

**Scope of this section**

19.2 This section specifies the accounting for all business combinations except:

(a) combinations of entities or **businesses** under common **control**. Common control means that all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

(b) ...

**Cost of a business combination**

19.11 The acquirer shall measure the cost of a business combination as the aggregate of:

(a) the fair values, at the date of ~~exchange~~ acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree, plus

(b) ...

**Allocating the cost of a business combination to the assets acquired and liabilities and contingent liabilities assumed**

19.14 The acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets and liabilities and a provision for those contingent liabilities that satisfy the recognition criteria in paragraph 19.~~20~~15 at their fair values at that date except as follows:.

(a) a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination shall be recognised and measured in accordance with Section 29 Income Tax.

(b) a liability (or asset, if any) related to the acquiree's employee benefit arrangements shall be recognised and measured in accordance with Section 28 Employee Benefits.

Any difference between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and provisions for contingent liabilities so recognised shall be accounted for in accordance with paragraphs 19.22–19.24 (as goodwill or so-called 'negative goodwill'). Any **non-controlling interest** in the acquiree is measured at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

19.15 The acquirer shall recognise separately the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date only if they satisfy the following criteria at that date:

(a) ...

(c) In the case of an intangible asset ~~or a contingent liability~~, its fair value can be measured reliably without undue cost or effort.

(d) In the case of a contingent liability, its fair value can be measured reliably.

...

**Goodwill**

…

19.23 After initial recognition, the acquirer shall measure goodwill acquired in a business combination at cost less accumulated **amortisation** and accumulated **impairment** losses:

(a) An entity shall follow the principles in paragraphs 18.19–18.24 for amortisation of goodwill. If ~~an entity is~~ ~~unable to make a reliable estimate of~~ the useful life of goodwill <u>cannot be established reliably</u>, the life shall be ~~presumed to be~~ <u>determined based on management's best estimate but shall not exceed</u> ten years.

(b) ...

**For business combination(s) ~~effected~~ during the reporting period**

19.25 For each business combination ~~that was effected~~ during the period, the acquirer shall disclose the following:

(a) ...

<u>(g)</u> <u>a qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, or intangible assets or other items not recognised in accordance with paragraph 19.15.</u>

**For all business combinations**

19.26 An acquirer shall disclose <u>the useful lives used for goodwill and</u> a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period, showing separately:

(a) ...

## Amendments to Section 20 *Leases*

Paragraphs 20.1 and 20.3 are amended. Deleted text is struck through and new text is underlined.

**Scope of this section**

20.1 This section covers accounting for all **leases** other than:

(a) ...

(e) leases that could lead to a loss to the lessor or the lessee as a result of contractual terms that are unrelated to changes in the price of the leased asset, changes in foreign exchange rates, <u>changes in lease payments based on variable market interest rates</u>, or a default by one of the counterparties (see paragraph 12.3(f)).

(f) ...

20.3 Some arrangements, such as <u>some</u> outsourcing arrangements, telecommunication contracts that provide rights to capacity, and take-or-pay contracts, do not take the legal form of a lease but convey rights to use assets in return for payments. Such arrangements are in substance leases of assets, and they ~~should~~ <u>shall</u> be accounted for under this section.

## Amendments to Section 21 *Provisions and Contingencies*

Paragraph 21.16 is amended. Deleted text is struck through and new text is underlined.

**Disclosures about contingent assets**

21.16 If an inflow of economic benefits is probable (more likely than not) but not virtually certain, an entity shall disclose a description of the nature of the contingent assets at the end of the **reporting period**, and, ~~when practicable without~~ unless it would involve undue cost or effort, an estimate of their financial effect, measured using the principles set out in paragraphs 21.7–21.11. If ~~it is impracticable to make this disclosure~~, such an estimate would involve undue cost or effort, the entity shall disclose that fact ~~shall be stated~~ and the reasons why estimating the financial effect would involve undue cost or effort.

## Amendments to Section 22 *Liabilities and Equity*

Paragraphs 22.8–22.9, 22.15 and 22.17–22.18 are amended and paragraphs 22.3A, 22.15A–22.15C and their related heading, 22.18A–22.18B, and 22.20 and its related headings are added. Deleted text is struck through and new text is underlined.

**Classification of an financial instrument as liability or equity**

...

22.3A An entity shall classify a financial instrument as a financial liability or as equity in accordance with the substance of the contractual arrangement, not merely its legal form, and in accordance with the definitions of a financial liability and an equity instrument. Unless an entity has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the obligation meets the definition of a financial liability, and is classified as such, except for those instruments classified as equity instruments in accordance with paragraph 22.4.

...

**Original issue of shares or other equity instruments**

...

22.8 An entity shall measure the equity instruments, other than those issued as part of a business combination or those accounted for in accordance with paragraphs 22.15A–22.15B, at the fair value of the cash or other resources received or receivable, net of ~~direct costs of issuing the equity instruments~~ **transaction costs**. If payment is deferred and the time value of money is material, the initial measurement shall be on a **present value** basis.

22.9 An entity shall account for the transaction costs of an equity transaction as a deduction from equity, ~~net of any related income tax benefit~~. Income tax relating to the transaction costs shall be accounted for in accordance with Section 29 Income Tax.

...

**Convertible debt or similar compound financial instruments**

...

22.15 In periods after the instruments were issued, the entity shall account for the liability component as follows:

(a) in accordance with Section 11 Basic Financial Instruments if the liability component meets the conditions in paragraph 11.9. In these cases, the entity shall systematically recognise any difference between the liability component and the principal amount payable at maturity as additional interest expense using the **effective interest method** (see paragraphs 11.15–11.20). The appendix to this section illustrates the issuer's accounting for convertible debt when the liability component meets the conditions in paragraph 11.9.

(b) in accordance with Section 12 Other Financial Instruments Issues if the liability component does not meet the conditions in paragraph 11.9.

**Extinguishing financial liabilities with equity instruments**

22.15A An entity may renegotiate the terms of a financial liability with a creditor of the entity with the result that the entity extinguishes the liability fully or partially by issuing equity instruments to the creditor. Issuing equity instruments constitutes consideration paid in accordance with paragraph 11.38. An entity shall measure the equity instruments issued at their fair value. However, if the fair value of the equity instruments issued cannot be measured reliably without undue cost or effort, the equity instruments shall be measured at the fair value of the financial liability extinguished. An entity shall derecognise the financial liability, or part of the financial liability, in accordance with paragraphs 11.36–11.38.

22.15B If part of the consideration paid relates to a modification of the terms of the remaining part of the liability, the entity shall allocate the consideration paid between the part of the liability extinguished and the part that remains outstanding. This allocation should be made on a reasonable basis. If the remaining liability has been substantially modified, the entity shall account for the modification as the extinguishment of the original liability and the recognition of a new liability as required by paragraph 11.37.

22.15C An entity shall not apply paragraphs 22.15A–22.15B to transactions in situations in which:

(a) the creditor is also a direct or indirect shareholder and is acting in its capacity as a direct or indirect existing shareholder.

(b) the creditor and the entity are controlled by the same party or parties before and after the transaction and the substance of the transaction includes an equity distribution by, or contribution to, the entity.

(c) extinguishing the financial liability by issuing equity instruments is in accordance with the original terms of the financial liability (see paragraphs 22.13–22.15).

...

**Distributions to owners**

22.17 An entity shall reduce equity for the amount of distributions to its owners (holders of its equity instruments)~~, net of any related income tax benefits. Paragraph 29.26 provides guidance on accounting for a withholding tax on dividends~~. Income tax relating to distributions to owners shall be accounted for in accordance with Section 29.

22.18 Sometimes an entity distributes assets other than cash ~~as dividends~~ to its owners ('non-cash distributions'). When a entity declares such a distribution and has an obligation to distribute non-cash assets to its owners, it shall recognise a liability. It shall measure the liability at the fair value of the assets to be distributed unless it meets the conditions in paragraph 22.18A. At the end of each **reporting period** and at the date of settlement, the entity shall review and adjust the carrying amount of the dividend payable to reflect changes in the fair value of the assets to be distributed, with any changes recognised in equity as adjustments to the amount of the distribution. When an entity settles the dividend payable, it shall recognise in profit or loss any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable.

22.18A If the fair value of the assets to be distributed cannot be measured reliably without undue cost or effort, the liability shall be measured at the carrying amount of the assets to be distributed. If prior to settlement the fair value of the assets to be distributed can be measured reliably without undue cost or effort, the liability is remeasured at fair value with a corresponding adjustment made to the amount of the distribution and accounted for in accordance with paragraph 22.18.

22.18B Paragraphs 22.18–22.18A do not apply to the distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. This exclusion applies to the separate, individual and consolidated financial statements of an entity that makes the distribution.

...

**Disclosures**

22.20 If the fair value of the assets to be distributed as described in paragraphs 22.18–22.18A cannot be measured reliably without undue cost or effort, the entity shall disclose that fact and the reasons why a reliable fair value measurement would involve undue cost or effort.

## Amendments to Section 26 *Share-based Payment*

Paragraphs 26.1, 26.9, 26.12, 26.16–26.17 and 26.22 and their related heading are amended and paragraphs 26.1A–26.1B are added. Deleted text is struck through and new text is underlined.

**Scope of this section**

26.1 This section specifies the accounting for all **share-based payment** transactions including those that are equity- or cash- settled or those in which the terms of the arrangement provide a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments.~~:~~

~~(a) equity-settled share-based payment transactions, in which the entity acquires goods or services as consideration for equity instruments of the entity (including shares or share options);~~

~~(b) cash-settled share-based payment transactions, in which the entity acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments of the entity; and~~

~~(c) transactions in which the entity receives or acquires goods or services and the terms of the arrangement provide either the entity or the supplier of those goods or services with a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments.~~

26.1A A share-based payment transaction may be settled by another group entity (or a shareholder of any group entity) on behalf of the entity receiving the goods or services. This section also applies to an entity that:

(a) receives goods or services when another entity in the same group (or a shareholder of any group entity) has the obligation to settle the share-based payment transaction; or

(b) has an obligation to settle a share-based payment transaction when another entity in the same group receives the goods or services

unless the transaction is clearly for a purpose other than the payment for goods or services supplied to the entity receiving them.

26.1B In the absence of specifically identifiable goods or services, other circumstances may indicate that goods or services have been (or will be) received, in which case this section applies (see paragraph 26.17).

…

**Measurement principle**

…

26.9 A grant of equity instruments might be conditional on employees satisfying specified **vesting conditions** related to service or performance. ~~For example~~, An example of a vesting condition relating to service is when 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~~ Examples of vesting conditions relating to performance ~~conditions that must be satisfied, such as~~ are when a grant of shares or share options is conditional on a specified period of service and on the entity achieving a specified growth in profit (a non-market vesting condition) or a specified increase in the entity's share price (a **market vesting condition**). Vesting conditions are accounted for as follows:

(a) ~~A~~all vesting conditions related to ~~solely~~ employee service or to a non-market performance condition shall be taken into account when estimating the number of equity instruments expected to vest. Subsequently, the entity shall revise that estimate~~, if necessary~~, if new information indicates that the number of equity instruments expected to vest differs from previous estimates. On the vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested. Vesting conditions related to employee service or to a non market performance condition shall not be taken into account when estimating the fair value of the shares, share options or other equity instruments at the measurement date.

(b) ~~A~~all market vesting conditions and non-vesting conditions shall be taken into account when estimating the fair value of the shares, ~~or~~ share options or other equity instruments at the measurement date, with no subsequent adjustment to the estimated fair value, irrespective of the outcome of the market or non vesting condition, provided that all other vesting conditions are satisfied.

…

**Modifications to the terms and conditions on which equity instruments were granted**

26.12 ~~If a~~An entity may modify~~ies~~ the ~~vesting~~ terms and conditions on which equity instruments are granted in a manner that is beneficial to the employee, for example, by reducing the exercise price of an option or reducing the vesting period or by modifying or eliminating a performance condition,. Alternatively an entity may modify the terms and conditions in a manner that is not beneficial to the employee, for example, by increasing the vesting period or adding a performance condition. T~~t~~he entity shall take the modified vesting conditions into account in accounting for the share-based payment transaction, as follows:

(a) …

The requirements in this paragraph are expressed in the context of share-based payment transactions with employees. The requirements also apply to share-based payment transactions with parties other than employees if these transactions are measured by reference to the fair value of the equity instruments granted, but reference to the grant date refers to the date that the entity obtains the goods or the counterparty renders service.

…

## Group plans

26.16 If a share-based payment award is granted by ~~a parent entity to the employees of one or more subsidiaries in the group~~ an entity to the employees of one or more group entities, and the ~~parent~~ group presents consolidated financial statements using either the SLFRS for SMEs or **full SLFRSs**, ~~such subsidiaries are permitted~~ the group entities are permitted, as an alternative to the treatment set out in paragraphs 26.3–26.15, to ~~recognise and~~ measure the share-based payment expense (~~and the related capital contribution by the parent~~) on the basis of a reasonable allocation of the expense ~~recognised~~ for the group.

### ~~Government-mandated plans~~ Unidentifiable goods or services

26.17 If the identifiable consideration received appears to be less than the fair value of the equity instruments granted or the liability incurred, this situation typically indicates that other consideration (ie unidentifiable goods or services) has been (or will be) received. For example, ~~S~~some jurisdictions have programmes ~~established under law~~ by which ~~equity investors~~ owners (such as employees) are able to acquire equity without providing goods or services that can be specifically identified (or by providing goods or services that are clearly less than the fair value of the equity instruments granted). This indicates that other consideration has been or will be received (such as past or future employee services). ~~These are equity-settled share-based payment transactions within the scope of this section~~. The entity shall measure the unidentifiable goods or services received (or to be received) as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received) measured at the grant date. For cash-settled transactions, the liability shall be remeasured at the end of each reporting period until it is settled in accordance with paragraph 26.14.

**Disclosures**

...

26.22 If the entity is part of a group share-based payment plan, and it ~~recognises and~~ measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group, it shall disclose that fact and the basis for the allocation (see paragraph 26.16).

## Amendments to Section 27 *Impairment of Assets*

Paragraphs 27.1, 27.6, 27.14 and 27.30–27.31 are amended. Deleted text is struck through and new text is underlined.

## Objective and scope

27.1 An **impairment loss** occurs when the **carrying amount** of an asset exceeds its **recoverable amount**. This section shall be applied in accounting for the impairment of all assets other than the following, for which other sections of this SLFRS establish impairment requirements:

(a) …

(f) assets arising from construction contracts (see Section 23 Revenue).

…

**General principles**

…

27.6 An entity shall recognise an impairment loss immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with the revaluation model in Section 17 Property, Plant and Equipment. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with paragraph 17.15D.

…

**Fair value less costs to sell**

27.14 Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal (paragraphs 11.27–11.32 provide guidance on fair value). ~~The best evidence of the fair value less costs to sell of an asset is a price in a binding sale agreement in an arm's length transaction or a market price in an active market. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at the reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity considers the outcome of recent transactions for similar assets within the same industry.~~

…

**Reversal where recoverable amount was estimated for an individual impaired asset**

27.30 When the prior impairment loss was based on the recoverable amount of the individual impaired asset, the following requirements apply:

(a) ….

(b) If the estimated recoverable amount of the asset exceeds its carrying amount, the entity shall increase the carrying amount to recoverable amount, subject to the limitation described in (c) below. That increase is a reversal of an impairment loss. The entity shall recognise the reversal immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with the revaluation model in paragraph 17.15B. reversal of an impairment loss of a revalued as shall be treated as a revaluation increase in accordance with paragraph 17.15C.

(c) ...

**Reversal when recoverable amount was estimated for a cash-generating unit**

27.31 When the original impairment loss was based on the recoverable amount of the cash-generating unit to which the asset belongs, the following requirements apply:

(a) ...

(b) If the estimated recoverable amount of the cash-generating unit exceeds its carrying amount, that excess is a reversal of an impairment loss. The entity shall allocate the amount of that reversal to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets, subject to the limitation described in (c) below. Those increases in carrying amounts shall be treated as reversals of impairment losses for individual assets and be recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with the revaluation model paragraph 17.15B. Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with paragraph 17.15C.

(c) ...

## Amendments to Section 28 *Employee Benefits*

Paragraphs 28.30, 28.41 and 28.43 are amended. Deleted text is struck through and new text is underlined.

**Other long-term employee benefits**

…

28.30 An entity shall recognise a liability for other long-term employee benefits measured at the net total of the following amounts:

(a) …

An entity shall recognise the net change in the liability ~~in accordance with paragraph 28.23~~ during the period, other than a change attributable to benefits paid to employees during the period or to contributions from the employer, as the cost of its other long-term employee benefits during the period. That cost is recognised entirely in profit or loss as an expense unless another section of this SLFRS requires it to be recognised as part of the cost of an asset, such as inventories or property, plant and equipment.

…

**Disclosures about defined benefit plans**

28.41 An entity shall disclose the following information about defined benefit plans (except for any defined multi-employer benefit plans that are accounted for as defined contribution plans in accordance with paragraph 28.11, for which the disclosures in paragraph 28.40 apply instead). If an entity has more than one defined benefit plan, these disclosures may be made in total, separately for each plan, or in such groupings as are considered to be the most useful:

(a) ….

(b) ~~a narrative explanation~~ if the entity uses any of the simplifications in paragraph 28.19 in measuring its defined benefit obligation, it shall disclose that fact and the reasons why using the projected unit credit method to measure its obligation and cost under define benefit plans would involve undue cost or effort.

(d) ….

…

## Disclosures about termination benefits

28.43 For each category of termination benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit~~, its accounting policy~~, and the amount of its obligation and the extent of funding at the reporting date.

## Section 29 *Income Tax*

| Section 29 has been revised. Paragraphs 29.1–29.41 and their related headings are added. |
|---|

### Scope of this section

29.1 For the purpose of this SLFRS, **income tax** includes all domestic and foreign taxes that are based on **taxable profit**. Income tax also includes taxes, such as withholding taxes, that are payable by a subsidiary, associate or joint venture on distributions to the reporting entity.

29.2 This section covers accounting for income tax. It requires an entity to recognise the current and future tax consequences of transactions and other events that have been recognised in the financial statements. These recognised tax amounts comprise **current tax** and **deferred tax.** Current tax is income tax payable (recoverable) in respect of the taxable profit (tax loss) for the current period or past periods. Deferred tax is income tax payable or recoverable in future periods, generally as a result of the entity recovering or settling its **assets** and **liabilities** for their current carrying amount, and the tax effect of the carryforward of currently unused tax losses and tax credits.

29.3 This section does not deal with the methods of accounting for **government grants** (see Section 24 Government Grants). However, this section does deal with the accounting for temporary differences that may arise from such grants.

### Recognition and measurement of current tax

29.4 An entity shall recognise a current tax liability for tax payable on taxable profit for the current and past periods. If the amount paid for the current and past periods exceeds the amount payable for those periods, the entity shall recognise the excess as a current tax asset.

29.5 An entity shall recognise a current tax asset for the benefit of a tax loss that can be carried back to recover tax paid in a previous period.

29.6 An entity shall measure a current tax liability (asset) at the amount it expects to pay (recover) using the tax rates and laws that have been enacted or substantively enacted by the **reporting date**. An entity shall regard tax rates and tax laws as substantively enacted when the remaining steps in the enactment process have not affected the outcome in the past and are unlikely to do so. Paragraphs 29.32–29.33 provide additional measurement guidance.

**Recognition of deferred tax**

## General recognition principle

29.7 It is inherent in the recognition of an asset or a liability that the reporting entity expects to recover or settle the carrying amount of that asset or liability. If it is probable that recovery or settlement of that carrying amount will make future tax payments larger (smaller) than they would be if such recovery or settlement were to have no tax consequences, this section requires an entity to recognise a **deferred tax liability (deferred tax asset)** with certain limited exceptions. If the entity expects to recover the carrying amount of an asset or settle the carrying amount of a liability without affecting taxable profit, no deferred tax arises in respect of the asset or liability.

29.8 An entity shall recognise a deferred tax asset or liability for tax recoverable or payable in future periods as a result of past transactions or events. Such tax arises from the differences between the carrying amounts of the entity's assets and liabilities in the statement of financial position and the amounts attributed to those assets and liabilities by the tax authorities (such differences are called '**temporary differences**'), and the carryforward of currently unused tax losses and tax credits.

## Tax bases and temporary differences

29.9 The **tax base** of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.

29.10 The tax base of a liability is its carrying amount less any amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of revenue that is received in advance, the tax base of the resulting liability is its carrying amount less any amount of the revenue that will not be taxable in future periods.

29.11 Some items have a tax base but are not recognised as assets and liabilities in the statement of financial position. For example, research and development costs are recognised as an expense when determining **accounting profit** in the period in which they are incurred but may not be permitted as a deduction when determining taxable profit (tax loss) until a later period. The difference between the tax base of the research and development costs, being the amount that the taxation authorities will permit as a deduction in future periods, and the carrying amount of nil is a **deductible temporary difference** that results in a deferred tax asset.

29.12 Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. In consolidated financial statements, temporary differences are determined by comparing the carrying amounts of assets and liabilities in the consolidated financial statements with the appropriate tax base. The tax base is determined by reference to a consolidated tax return in those jurisdictions in which such a return is filed. In other jurisdictions, the tax base is determined by reference to the tax returns of each entity in the group.

29.13 Examples of situations in which temporary differences arise include:

(a) the identifiable assets acquired and liabilities assumed in a business combination are recognised at their fair values in accordance with Section 19 Business Combinations and Goodwill, but no equivalent adjustment is made for tax purposes (for example, the tax base of an asset may remain at cost to the previous owner). The resulting deferred tax asset or liability affects the amount of goodwill that an entity recognises.

(b) assets are remeasured but no equivalent adjustment is made for tax purposes. For example, this SLFRS permits or requires certain assets to be remeasured at fair value or to be revalued (for example, Section 16 Investment Property and Section 17 Property, Plant and Equipment).

(c) goodwill arises in a business combination, for example, the tax base of goodwill will be nil if taxation authorities do not allow the amortisation or the impairment of goodwill as a deductible expense when taxable profit is determined and do not permit the cost of goodwill to be treated as a deductible expense on disposal of the subsidiary.

(d) the tax base of an asset or a liability on initial recognition differs from its initial carrying amount.

(e) the carrying amount of investments in subsidiaries, branches and associates or interests in joint ventures becomes different from the tax base of the investment or interest.

Not all the above temporary differences will give rise to deferred tax assets and liabilities (see paragraphs 29.14 and 29.16).

**Taxable temporary differences**

29.14 A deferred tax liability shall be recognised for all **taxable temporary differences**, except to the extent that the deferred tax liability arises from:

(a) the initial recognition of goodwill; or

(b) the initial recognition of an asset or a liability in a transaction that:

(i) is not a business combination; and

(ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

However, for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, a deferred tax liability shall be recognised in accordance with paragraph 29.25.

29.15 Some temporary differences arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different period. Such temporary differences are often described as timing differences. The following are examples of temporary differences of this kind that are taxable temporary differences and that therefore result in deferred tax liabilities:

(a) interest revenue is included in accounting profit on a time-proportion basis but may, in some jurisdictions, be included in taxable profit when cash is collected. The tax base of any receivable with respect to such revenues is nil, because the revenues do not affect taxable profit until cash is collected; and

(b) depreciation used when determining taxable profit (tax loss) may differ from that used when determining accounting profit. The temporary difference is the difference between the carrying amount of the asset and its tax base, which is the original cost of the asset less all deductions in respect of that asset permitted by the taxation authorities when determining taxable profit of the current and prior periods. A taxable temporary difference arises, and results in a deferred tax liability, when tax depreciation is accelerated. If the tax depreciation is less rapid than the accounting depreciation, a deductible temporary difference arises resulting in a deferred tax asset (see paragraph 29.16).

**Deductible temporary differences**

29.16 A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or a liability in a transaction that:

(a) is not a business combination; and

(b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

However, for deductible temporary differences associated with investments in subsidiaries, branches and associates, and for interests in joint ventures, a deferred tax asset shall be recognised in accordance with paragraph 29.26.

29.17 The following are examples of deductible temporary differences that result in deferred tax assets:

(a) retirement benefit costs may be deducted when determining accounting profit at the time that the service is provided by the employee, but deducted when determining taxable profit either when contributions are paid to a fund by the entity or when retirement benefits are paid by the entity. A temporary difference exists between the carrying amount of the liability and its tax base; the tax base of the liability is usually nil. Such a deductible temporary difference results in a deferred tax asset because economic benefits will flow to the entity in the form of a deduction from taxable profits when contributions or retirement benefits are paid.

(b) certain assets may be carried at fair value, without an equivalent adjustment being made for tax purposes. A deductible temporary difference arises if the tax base of theasset exceeds its carrying amount.

29.18 The reversal of deductible temporary differences results in deductions when taxable profits of future periods are determined. It is probable that taxable profit will be available against which a deductible temporary difference can be utilised when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse:

(a) in the same period as the expected reversal of the deductible temporary difference; or

(b) in periods into which a tax loss arising from the deferred tax asset can be carried back or forward.

In such circumstances, the deferred tax asset is recognised in the period in which the deductible temporary differences arise.

29.19 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).When 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 those deductible temporary differences will itself require future taxable profit in order to be utilised, or

(b) tax planning opportunities are available to the entity that will create taxable profit in appropriate periods.

29.20 When an entity has a history of recent losses, the entity considers the guidance in paragraphs 29.21–29.22.

**Unused tax losses and unused tax credits**

29.21 A deferred tax asset shall be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. When assessing the probability that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, an entity considers the following criteria:

(a) whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire;

(b) whether it is probable that the entity will have taxable profits before the unused tax losses or unused tax credits expire;

(c) whether the unused tax losses result from identifiable causes which are unlikely to recur; and

(d) whether tax planning opportunities are available to the entity that will create taxable profit in the period in which the unused tax losses or unused tax credits can be utilised.

To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised.

29.22 The existence of unused tax losses is strong evidence that future taxable profit may not be available. Consequently, when an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity.

**Reassessment of unrecognised deferred tax assets**

29.23 At the end of each reporting period, an entity reassesses any unrecognised deferred tax assets. The entity recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**Investments in subsidiaries, branches and associates and interests in joint ventures**

29.24 Temporary differences arise when the carrying amount of investments in subsidiaries, branches and associates, and interests in joint ventures (for example, in the parent's consolidated financial statements the carrying amount of a subsidiary is the net consolidated assets of that subsidiary, including the carrying amount of any related goodwill) becomes different from the tax base (which is often cost) of the investment or interest. Such differences may arise in a number of different circumstances, for example:

(a) the existence of undistributed profits of subsidiaries, branches, associates and joint ventures;

(b) changes in foreign exchange rates when a parent and its subsidiary are based in different countries; and

(c) a reduction in the carrying amount of an investment in an associate to its recoverable amount.

Investments may be accounted for differently in the parent's separate financial statements compared to the consolidated financial statements, in which case the temporary difference associated with that investment may also differ. For example, in the parent's separate financial statement the carrying amount of a subsidiary will depend on the accounting policy chosen in paragraph 9.26.

29.25 An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

(a) the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and

(b) it is probable that the temporary difference will not reverse in the foreseeable future.

29.26 An entity shall recognise a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, only to the extent that it is probable that:

(a) the temporary difference will reverse in the foreseeable future; and

(b) taxable profit will be available against which the temporary difference can be utilised.

**Measurement of deferred tax**

29.27 An entity shall measure a deferred tax liability (asset) using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. An entity shall regard tax rates and tax laws as substantively enacted when the remaining steps in the enactment process have not affected the outcome in the past and are unlikely to do so.

29.28 When different tax rates apply to different levels of taxable profit, an entity shall measure deferred tax liabilities (assets) using the average enacted or substantively enacted rates that it expects to be applicable to the taxable profit (tax loss) of the periods in which it expects the deferred tax liability to be settled (deferred tax asset to be realised).

29.29 The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of the related assets and liabilities. Consequently, an entity measures deferred tax liabilities and deferred tax assets using the tax rate and the tax base that are consistent with the expected manner of recovery or settlement. For example, if the temporary difference arises from an item of income that is expected to be taxable as a capital gain in a future period, the deferred tax expense is measured using the capital gain tax rate and the tax base that is consistent with recovering the carrying amount through sale.

29.30 If a deferred tax liability or deferred tax asset arises from a non-depreciable asset measured using the revaluation model in Section 17, the measurement of the deferred tax liability or deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the non-depreciable asset through sale. If a deferred tax liability or asset arises from investment property that is measured at fair value, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. Accordingly, unless the presumption is rebutted, the measurement of the deferred tax liability or the deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, the requirements of paragraph 29.29 shall be followed.

29.31 The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that recognised deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it become probable that sufficient taxable profit will be available.

## Measurement of both current and deferred tax

29.32 An entity shall not discount current or deferred tax assets and liabilities.

29.33 In some jurisdictions, income tax is payable at a higher or lower rate if part or all of the profit or retained earnings is paid out as a dividend to shareholders of the entity. In other jurisdictions, income tax may be refundable or payable if part or all of the profit or retained earnings is paid out as a dividend to shareholders of the entity. In both of those circumstances, an entity shall measure current and deferred tax at the tax rate applicable to undistributed profits until the entity recognises a liability to pay a dividend. When the entity recognises a liability to pay a dividend, it shall recognise the resulting current or deferred tax liability (asset), and the related **tax expense** (income).

## Withholding tax on dividends

29.34 When an entity pays dividends to its shareholders, it may be required to pay a portion of the dividends to taxation authorities on behalf of shareholders. Such an amount paid or payable to taxation authorities is charged to equity as a part of the dividends.

## Presentation

### Allocation in comprehensive income and equity

29.35 An entity shall recognise tax expense in the same component of total comprehensive income (ie continuing operations, discontinued operations, or other comprehensive income) or equity as the transaction or other event that resulted in the tax expense.

### Current/non-current distinction

29.36 When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, it shall not classify any deferred tax assets (liabilities) as current assets (liabilities).

### Offsetting

29.37 An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off the amounts and the entity can demonstrate without undue cost or effort that it plans either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## Disclosures

29.38 An entity shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of the current and deferred tax consequences of recognised transactions and other events.

29.39 An entity shall disclose separately the major components of tax expense (income). Such components of tax expense (income) may include:

(a) current tax expense (income).

(c) any adjustments recognised in the period for current tax of prior periods.

(c) the amount of deferred tax expense (income) relating to the origination and reversal of temporary differences.

(d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes.

(e) the amount of the benefit arising from a previously unrecognized tax loss, tax credit or temporary difference of a prior period that is used to reduce tax expense.

(f) adjustments to deferred tax expense (income) arising from a change in the tax status of the entity or its shareholders.

(g) deferred tax expense (income) arising from the write-down, or reversal of a previous write-down, of a deferred tax asset in accordance with paragraph 29.31.

(h) the amount of tax expense (income) relating to those changes in accounting policies and errors that are included in profit or loss in accordance with Section 10 Accounting Policies, Estimates and Errors, because they cannot be accounted for retrospectively.

29.40 An entity shall disclose the following separately:

(a) the aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income.

(b) the aggregate current and deferred tax relating to items that are charged or credited directly to equity.

(c) an explanation of any significant differences between the tax expense (income) and accounting profit multiplied by the applicable tax rate. For example such differences may arise from transactions such as revenue that are exempt from taxation or expenses that are not deductible in determining taxable profit (tax loss).

(d) an explanation of changes in the applicable tax rate(s) compared with the previous reporting period.

(e) for each type of temporary difference and for each type of unused tax losses and tax credits:

(i) the amount of deferred tax liabilities and deferred tax assets at the end of the reporting period, and

(ii) an analysis of the change in deferred tax liabilities and deferred tax assets during the period.

(f) the amount (and expiry date, if any) of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the statement of financial position.

(g) in the circumstances described in paragraph 29.33, an explanation of the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders.

29.41 If an entity does not offset tax assets and liabilities in accordance with paragraph 29.37 because it is unable to demonstrate without undue cost or effort that it plans to settle them on a net basis or realise them simultaneously, the entity shall disclose the amounts that have not been offset and the reasons why applying the requirement would involve undue cost or effort.

## Amendments to Section 30 *Foreign Currency Translation*

Paragraphs 30.1 and 30.18 are amended. Deleted text is struck through and new text is underlined.

### Scope of this section

30.1 An entity can conduct foreign activities in two ways. It may have transactions in foreign currencies or it may have **foreign operations**. In addition, an entity may present its financial statements in a foreign currency. This section prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a **presentation currency**. Accounting for **financial instruments** ~~denominated in a foreign currency~~ <u>that derive their value from the change in a specified foreign exchange rate (for example, foreign currency forward exchange contracts)</u> and hedge accounting of foreign currency items are dealt with in ~~*Section 11 Basic Financial Instruments and*~~ Section 12 Other Financial Instruments Issues.

...

### Translation to the presentation currency

...

30.18 An entity whose functional currency is not the currency of a hyperinflationary economy shall translate its results and financial position into a different presentation currency using the following procedures:

(a) ...

(c) All resulting exchange differences shall be recognised in other comprehensive income <u>and reported as a component of equity. They shall not subsequently be reclassified to profit or loss</u>.

## Amendments to Section 31 *Hyperinflation*

Paragraphs 31.8–31.9 are amended. Deleted text is struck through and new text is underlined.

### Statement of financial position

…

31.8 All other assets and liabilities are non-monetary:

(a) ...

(ba) Some non-monetary items are carried at amounts current at dates other than that of acquisition or the reporting date, for example, property, plant and equipment that has been revalued at some earlier date. In these cases, the carrying amounts are restated from the date of the revaluation.

...

31.9 At the beginning of the first period of application of this section, the components of **equity**, except retained earnings and any revaluation surplus, are restated by applying a general price index from the dates the components were contributed or otherwise arose. Any revaluation surplus that arose in previous periods is eliminated. Restated retained earnings are derived from all the other amounts in the restated statement of financial position.

## Amendments to Section 33 *Related Party Disclosures*

Paragraph 33.2 is amended. Deleted text is struck through and new text is underlined.

### Related party defined

33.2 A related party is a person or entity that is related to the entity that is preparing its financial statements (the reporting entity).

(a) A person or a **close member of that person's family** is related to a reporting entity if that person:

(i) ...

(ii) has control or joint control over the reporting entity; or

(iii) has ~~joint control or~~ significant influence over the reporting entity ~~or has significant voting power in it~~.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) ...

(ii) ~~either~~ one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same a third entity.

(iv) ~~either~~ one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the ~~plan~~ reporting entity.

(vi) ...

(vii) ~~a person identified in (a)(i) has significant voting power in the entity~~ the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(viii) a person identified in (a)(ii) has significant influence over the entity or ~~significant voting power in it~~ is a member of the key management personnel of the entity (or of a parent of the entity).

~~(ix)~~ ~~a person or a close member of that person's family has both significant influence over the entity or significant voting power in it and joint control over the reporting entity.~~

~~(x)~~ ~~a member of the key management personnel of the entity or of a parent of the entity, or a close member of that member's family, has control or joint control over the reporting entity or has significant voting power in it~~.

## Amendments to Section 34 *Specialised Activities*

Paragraph 34.7 and paragraphs 34.10–34.11 and their related heading are amended and paragraphs 34.11A–34.11F are added. Deleted text is struck through and new text is underlined.

### Disclosures – fair value model

34.7 An entity shall disclose the following with respect to its biological assets measured at fair value:

(a) ...

(e) a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include:

(i) ...

This reconciliation need not be presented for prior periods.

...

### Disclosures – cost model

34.10 An entity shall disclose the following with respect to its biological assets measured using the cost model:

(a) ...

(b) an explanation of why fair value cannot be measured reliably without undue cost or effort.

(c) ...

### ~~Extractive activities~~ Exploration for and evaluation of mineral resources

34.11 An entity using this SLFRS that is engaged in the exploration for, or evaluation ~~or extraction~~ of, mineral resources (~~extractive activities~~) shall ~~account for expenditure on the acquisition or development of tangible or intangible assets for use in extractive activities by applying Section 17 *Property, Plant and Equipment* and Section 18 *Intangible Assets other than Goodwill*, respectively~~ determine an accounting policy that specifies which expenditures are recognised as exploration and evaluation assets in accordance with paragraph 10.4 and apply the policy consistently. ~~When an entity has an obligation to dismantle or remove an item, or to restore the site, such obligations and costs are accounted for in accordance with Section 17 and Section 21 Provisions and Contingencies~~. An entity is exempt from applying paragraph 10.5 to its accounting policies for the recognition and measurement of exploration and evaluation assets.

34.11A The following are examples of expenditures that might be included in the initial measurement of exploration and evaluation assets (the list is not exhaustive):

(a) acquisition of rights to explore;

(b) topographical, geological, geochemical and geophysical studies;

(c) exploratory drilling;

(d) trenching;

(e) sampling; and

(f) activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Expenditures related to the development of mineral resources shall not be recognised as exploration and evaluation assets.

34.11B Exploration and evaluation assets shall be measured on initial recognition at cost. After initial recognition, an entity shall apply Section 17 Property, Plant and Equipment and Section 18 Intangible Assets other than Goodwill to the exploration and evaluation assets according to the nature of the assets acquired subject to paragraphs 34.11D–34.11F. If an entity has an obligation to dismantle or remove an item, or to restore the site, such obligations and costs are accounted for in accordance with Section 17 and Section 21 Provisions and Contingencies.

34.11C Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An entity shall measure, present and disclose any resulting impairment loss in accordance with Section 27, except as provided by paragraph 34.11F.

34.11D For the purposes of exploration and evaluation assets only, paragraph 34.11E shall be applied instead of paragraphs 27.7–27.10 when identifying an exploration and evaluation asset that may be impaired. Paragraph 34.11E uses the term ‘assets’ but applies equally to separate exploration and evaluation assets or a cash-generating unit.

34.11E One or more of the following facts and circumstances indicate that an entity should test exploration and evaluation assets for impairment (the list is not exhaustive):

(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

(b) substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned.

(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

(d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The entity shall perform an impairment test, and recognise any impairment loss, in accordance with Section 27.

34.11F An entity shall determine an accounting policy for allocating exploration and evaluation assets to cash-generating units or groups of cash-generating units for the purpose of assessing such assets for impairment.

## Amendments to Section 35 *Transition to the SLFRS for SMEs*

Paragraphs 35.2 and 35.9–35.11 are amended and paragraph 35.12A is added. Deleted text is struck through and new text is underlined.

**Scope of this section**

…

35.2 An entity ~~can be a first-time adopter of the SLFRS for SMEs once~~ that has applied the SLFRS for SMEs in a previous reporting period, but whose most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with the SLFRS for SMEs, must either apply this section or apply the SLFRS for SMEs retrospectively in accordance with Section 10 Accounting Policies, Estimates and Errors as if the entity had never stopped applying the SLFRS for SMEs. ~~If an entity using the SLFRS for SMEs stops using it for one or more reporting periods and then is required, or chooses, to adopt it again later, the special exemptions, simplifications and other requirements in this section do not apply to the re-adoption~~. When such an entity does not elect to apply this section, it is still required to apply the disclosure requirements in paragraph 35.12A in addition to the disclosure requirements in Section 10.

...

## Procedures for preparing financial statements at the date of transition

…

35.9 On first-time adoption of this SLFRS, an entity shall not retrospectively change the accounting that it followed under its previous financial reporting framework for any of the following transactions:

(a) ...

(f) government loans. A first-time adopter shall apply the requirements in Section 11 Basic Financial Instruments, Section 12 and Section 24 Government Grants prospectively to government loans existing at the date of transition to this SLFRS. Consequently, if a first-time adopter did not, under its previous GAAP, recognise and measure a government loan on a basis that is consistent with this SLFRS, it shall use its previous GAAP carrying amount of the loan at the date of transition to this SLFRS as the carrying amount of the loan at that date and shall not recognise the benefit of any government loan at a below-market rate of interest as a government grant.

35.10 An entity may use one or more of the following exemptions in preparing its first financial statements that conform to this SLFRS:

(a) …

(da) **Event-driven fair value measurement as deemed cost**. A first-time adopter may have established a deemed cost in accordance with its previous GAAP for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event, for example, a valuation of the business, or parts of the business, for the purposes of a planned sale. If the measurement date:

(i) is at or *before* the date of transition to this SLFRS, the entity may use such event-driven fair value measurements as deemed cost at the date of that measurement.

(ii) is *after* the date of transition to this SLFRS, but during the periods covered by the first financial statements that conform to this SLFRS, the event-driven fair value measurements may be used as deemed cost when the event occurs. An entity shall recognise the resulting adjustments directly in retained earnings (or, if appropriate, another category of equity) at the measurement date. At the date of transition to this SLFRS, the entity shall either establish the deemed cost by applying the criteria in paragraph 35.10(c)–(d) or measure those assets and liabilities in accordance with the other requirements in this section.

(e) ...

(f) **Separate financial statements**. When an entity prepares separate financial statements, paragraph 9.26 requires it to account for its investments in subsidiaries, associates, and jointly controlled entities either:

(i) at cost less impairment;, ~~or~~

(ii) at **fair value** with changes in fair value recognised in profit or loss; or

(iii) using the equity method following the procedures in paragraph 14.8.

If a first-time adopter measures such an investment at cost, it shall measure that investment at one of the following amounts ~~in its separate opening statement of financial position~~ prepared in accordance with this SLFRS at the date of transition:

(i) ...

(g) ...

(h) **Deferred income tax**. A first-time adopter ~~is not required to recognise, at~~ may apply Section 29 prospectively from the date of transition to the SLFRS for SMEs, ~~deferred tax assets or deferred tax liabilities relating to differences between the tax basis and the carrying amount of any assets or liabilities for which recognition of those deferred tax assets or liabilities would involve undue cost or effort.~~

(i) ...

(m) **Operations subject to rate regulation**. If a first-time adopter holds items of property, plant and equipment or intangible assets that are used, or were previously used, in operations subject to rate regulation (ie to provide goods or services to customers at prices/rates established by an authorised body) it may elect to use the previous GAAP carrying amount of those items at the date of transition to this SLFRS as their deemed cost. If an entity applies this exemption to an item, it need not apply it to all items. The entity shall test those assets for impairment at the date of transition to this SLFRS in accordance with Section 27.

(n) **Severe hyperinflation**. If a first-time adopter has a functional currency that was subject to severe hyperinflation:

(i) if its date of transition to this SLFRS is on, or after, the **functional currency normalisation** date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to this SLFRS and use that fair value as the deemed cost of those assets and liabilities at that date; and

(ii) if the functional currency normalisation date falls within a twelve month comparative period, an entity may use a comparative period of less than twelve months, provided that a complete set of financial statements (as required by paragraph 3.17) is provided for that shorter period.

35.11 If it is **impracticable** for an entity to make ~~restate the opening statement of financial position at the date of transition for~~ one or more of the adjustments required by paragraph 35.7 at the of date transition, the entity shall apply paragraphs 35.7–35.10 for such adjustments in the earliest period for which it is practicable to do so, and shall identify ~~the data presented for prior periods that are not comparable with data for the period period in which it prepares its first financial statements that conform to this SLFRS~~ which amounts in the financial statements have not been restated. If it is impracticable for an entity to provide any of the disclosures required by this SLFRS, ~~for any period before the period in which it prepares its first financial statements that conform to this SLFRS~~ including those for comparative periods, the omission shall be disclosed.

**Disclosures**

## Explanation of transition to the SLFRS for SMEs

...

35.12A An entity that has applied the SLFRS for SMEs in a previous period, as described in paragraph 35.2, shall disclose:

(a) the reason it stopped applying the SLFRS for SMEs;

(b) the reason it is resuming the application of the SLFRS for SMEs; and

(c) whether it has applied this section or has applied the SLFRS for SMEs retrospectively in accordance with Section 10.

Appendix A is added.

## Appendix A Effective date and transition

A1 2015 Amendments to the Sri Lanka Accounting Standards (SLFRS for SMEs), adopted in June 2015, amended paragraphs 1.3, 2.22, 2.47, 2.49–2.50, 4.2, 4.12, 5.4–5.5, 6.2–6.3, 9.1–9.3, 9.16, 9.18, 9.24–9.26, 9.28, 11.2, 11.4, 11.7, 11.9, 11.11, 11.13–11.15, 11.27, 11.32, 11.44, 12.3, 12.8–12.9, 12.23, 12.25, 12.29, 14.15, 15.21, 16.10, 17.5–17.6, 17.15, 17.31–17.32, 18.8, 18.20, 19.2, 19.11, 19.14–19.15, 19.23, 19.25–19.26, 20.1, 20.3, 21.16, 22.8–22.9, 22.15, 22.17–22.18, 26.1, 26.9, 26.12, 26.16–26.17, 26.22, 27.1, 27.6, 27.14, 27.30–27.31, 28.30, 28.41, 28.43, 30.1, 30.18, 31.8–31.9 33.2, 34.7, 34.10–34.11, 35.2, 35.9–35.11 and the glossary of terms, revised Section 29 and added paragraphs 1.7, 2.14A–2.14D, 9.3A–9.3C, 9.23A, 10.10A, 11.9A–11.9B, 17.15A–17.15D, 17.33, 22.3A, 22.15A–22.15C, 22.18A–22.18B, 22.20, 26.1A–26.1B, 34.11A–34.11F, 35.12A and A2–A3. An entity shall apply those paragraphs for annual periods beginning on or after 1 January 2017. Amendments to Sections 2–34 shall be applied retrospectively in accordance with Section 10 Accounting Policies, Estimates and Errors except as stated in paragraph A2. Earlier application of 2015 Amendments to the SLFRS for SMEs is permitted. If an entity applies 2015 Amendments to the SLFRS for SMEs for an earlier period it shall disclose that fact.

A2 If it is impracticable for an entity to apply any new or revised requirements in the amendments to Sections 2–34 retrospectively, the entity shall apply those requirements in the earliest period for which it is practicable to do so. In addition an entity:

(a) may elect to apply the revised Section 29 prospectively from the beginning of the period in which it first applies 2015 Amendments to the SLFRS for SMEs.

(b) shall apply the amendments to paragraph 19.11 prospectively from the beginning of the period in which it first applies 2015 Amendments to the SLFRS for SMEs. This paragraph is only applicable if the entity has business combinations within the scope of Section 19.

(c) shall apply the amendments to paragraphs 2.49–2.50, 5.4, 17.15, 27.6, 27.30–27.31 and 31.8–31.9 and new paragraphs 10.10A, 17.15A–17.15D and 17.33 prospectively from the beginning of the period it first applies 2015 Amendments to the SLFRS for SMEs. These paragraphs are only applicable if the entity applies the revaluation model to any classes of property, plant and equipment in accordance with paragraph 17.15.

A3 The entity shall identify which amounts in the financial statements have not been restated as a result of applying paragraph A2.

## Amendments to the glossary of terms

The glossary is placed in Appendix B. Only those definitions amended, added or deleted are shown. Deleted text is struck through and new text is underlined.

## Appendix B
## Glossary of terms

...

**<u>accounting profit</u>** <u>Profit or loss for a period before deducting tax expense.</u>

...

**<u>active market</u>** <u>A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis</u>.

**cash-settled share-based payment transaction** A share-based payment transaction in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of ~~the entity's shares or other~~ equity instruments (<u>including shares or share options</u>) of the entity <u>or another group entity</u>.

...

**<u>close members of the family of a person</u>** Those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity, including:

<u>(a)</u> <u>that person's children and spouse or domestic partner</u>;

<u>(b)</u> <u>children of that person's spouse or domestic partner; and</u>

<u>(c)</u> <u>dependants of that person or that person's spouse or domestic partner</u>.

~~Combined financeil statements~~. ~~The financial statements of two or more entities controlled by a single investor~~

. ..

**<u>deductible temporary differences</u>** <u>Temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled</u>.

…

**deferred tax assets** <u>The amounts of</u> <u>i</u>~~I~~ncome tax recoverable in future ~~reporting~~ periods in respect of:

(a) deductible temporary differences;

(b) the carryforward of unused tax losses; and

(c) the carryforward of unused tax credits.

**deferred tax liabilities** <u>The amounts of</u> iIncome tax payable in future ~~reporting~~ periods in respect of <u>taxable</u> temporary differences.

...

**equity-settled share-based payment transaction–** A share-based payment transaction in which the entity:

(a) receives goods or services as consideration for its own equity instruments ~~of the entity~~ (including shares or share options).; or

(b) receives goods or services but has no obligation to settle the transaction with the supplier.

...

**foreign operation** An entity that is a subsidiary, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

...

**functional currency normalisation date** The date when an entity's functional currency no longer has either, or both, of the two characteristics of severe hyperinflation, or when there is a change in the entity's functional currency to a currency that is not subject to severe hyperinflation.

...

**market vesting condition** A condition upon which the exercise price, vesting or exercisability of an equity instrument depends that is related to the market price of the entity's equity instruments, such as attaining a specified share price or a specified amount of intrinsic value of a share option, or achieving a specified target that is based on the market price of the entity's equity instruments relative to an index of market prices of equity instruments of other entities.

…

**minimum lease payments** The payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:

(a) for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or

(b) for a lessor, any residual value guaranteed to the lessor by:

(i) the lessee;

(ii) a party related to the lessee; or

(iii) a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.

...

**public accountability** ~~Accountability to those existing and potential resource providers and others external to the entity who make economic decisions but are not in a position to demand reports tailored to meet their particular information needs~~. An entity has public accountability if:

(a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or

(b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. ~~This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.~~

**related party** A related party is a person or entity that is related to the entity that is preparing its financial statements (the reporting entity).

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;

(ii) has control or joint control over the reporting entity; or

(iii) has ~~joint control or~~ significant influence over the reporting entity ~~or has significant voting power in it~~.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) ~~either~~ one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of ~~a~~ the same third entity.

(iv) ~~either~~ one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the ~~plan~~ reporting entity.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) ~~a person identified in (a)(i) has significant voting power in the entity~~ the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(viii) a person identified in (a)(ii) has significant influence over the entity or ~~significant voting power in it~~ is a member of the key management personnel of the entity (or of a parent of the entity).

~~(ix)~~ ~~a person or a close member of that person's family has both significant influence over the entity or significant voting power in it and joint control over the reporting entity.~~

~~(x)~~ ~~a member of the key management personnel of the entity or of a parent of the entity, or a close member of that member's family, has control or joint control over the reporting entity or has significant voting power in it~~.

...

**separate financial statements** Those presented by an ~~parent, an investor in an~~ ~~associate or a venturer in a jointly controlled~~ entity, in which the ~~investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees~~ entity could elect, in accordance with paragraphs 9.25–9.26, to account for its investments in subsidiaries, jointly-controlled entities and associates either at cost less impairment, at fair value with changes in fair value recognised in profit or loss, or using the equity method following the procedures in paragraph 14.8.

...

**severe hyperinflation** The currency of a hyperinflationary economy is subject to severe hyperinflation if it has both of the following characteristics:

(a) a reliable general price index is not available to all entities with transactions and balances in the currency; and

(b) exchangeability between the currency and a relatively stable foreign currency does not exist.

**share-based payment arrangement** An agreement between the entity (or another group entity or any shareholder of any group entity) and another party (including an employee) that entitles the other party to receive:

(a) cash or other assets of the entity for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity; or

(b) equity instruments (including shares or share options) of the entity or another group entity

provided the specified vesting conditions, if any, are met.

**share-based payment transaction** A transaction in which the entity:

(a) receives goods or services from the supplier of those goods or services (including an employee ~~services~~) in a share-based payment arrangement; or

(b) ~~as consideration for equity instruments of the entity (including shares or share options), or acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price of the entity's shares or other equity instruments of the entity~~ incurs an obligation to settle the transaction with the supplier in a share-based payment arrangement when another group entity receives those goods or services.

...

**tax base ~~basis~~** The ~~measurement, under applicable substantively enacted tax law, of an asset, liability or equity~~ ~~instrument~~ tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

…

**taxable temporary differences** Temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

**temporary differences** Differences between the carrying amount of an asset, or liability ~~or other item~~ in the ~~financial~~ ~~statements~~ statement of financial position and its tax ~~basis that the entity expects will affect taxable profit when the carrying amount of the asset or liability is recovered or settled (or, in the case of items other than assets and liabilities, will affect taxable profit in the future)~~ base.

...

| | |
|---|---|
| **transaction cost financial instruments)** | Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument. |

...

| | |
|---|---|
| **vesting conditions** | The conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement. Vesting conditions are either service conditions or performance conditions. Service conditions require the counterparty to complete a specified period of service. Performance conditions require the counterparty to complete a specified period of service and specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time). A performance condition might include a market vesting condition. |
| **vesting period** | The period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied. |

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