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 changes to Sri Lanka Accounting Standards – (SLFRS & LKAS) 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,
22nd February, 2017.

SRI LANKA ACCOUNTING STANDARDS CHANGES WITH EFFECT FROM 01ST JANUARY 2017

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The Conceptual Framework for Financial Reporting

No Changes

LKAS 1 - Presentation of Financial Statements

139Q	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

LKAS 2 - Inventories

40G	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

LKAS 7 - Statement of Cash Flow

44A	**Changes in liabilities arising from financing activities** **An entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.**
44B	To the extent necessary to satisfy the requirement in paragraph 44A, an entity shall disclose the following changes in liabilities arising from financing activities: (a) changes from financing cash flows; (b) changes arising from obtaining or losing control of subsidiaries or other businesses; (c) the effect of changes in foreign exchange rates; (d) changes in fair values; and (e) other changes.
44C	Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. In addition, the disclosure requirement in paragraph 44A also applies to changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.
44D	One way to fulfil the disclosure requirement in paragraph 44A is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including the changes identified in paragraph 44B. Where an entity discloses such a reconciliation, it shall provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the statement of cash flows.
44E	If an entity provides the disclosure required by paragraph 44A in combination with disclosures of changes in other assets and liabilities, it shall disclose the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities.
59	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*
60	Disclosure Initiative (Amendments to LKAS 7), issued in September 2016, added paragraphs 44A–44E. An entity shall apply those amendments for annual periods

	beginning on or after 1 January 2017. Earlier application is permitted. When the entity first applies those amendments, it is not required to provide comparative information for preceding periods.

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

No Changes

LKAS 10 - Events after the Reporting Period

No Changes

LKAS 11 - Construction Contracts

No Changes

LKAS 12 - Income Taxes

26	**Example illustrating paragraph 26(d)** Identification of a deductible temporary difference at the end of Year 2: Entity A purchases for CU1,000, at the beginning of Year 1, a debt instrument with a nominal value of CU1,000 payable on maturity in 5 years with an interest rate of 2% payable at the end of each year. The effective interest rate is 2%. The debt instrument is measured at fair value. At the end of Year 2, the fair value of the debt instrument has decreased to CU918 as a result of an increase in market interest rates to 5%. It is probable that Entity A will collect all the contractual cash flows if it continues to hold the debt instrument. Any gains (losses) on the debt instrument are taxable (deductible) only when realised. The gains (losses) arising on the sale or maturity of the debt instrument are calculated for tax purposes as the difference between the amount collected and the original cost of the debt instrument. Accordingly, the tax base of the debt instrument is its original cost. *The difference between the carrying amount of the debt instrument in Entity A's statement of financial position of CU918 and its tax base of CU1,000 gives rise to a deductible temporary difference of CU82 at the end of Year 2 (see paragraphs 20 and 26(d)), irrespective of whether Entity A expects to recover the carrying amount of the debt instrument by sale or by use, ie by holding it and collecting contractual cash flows, or a combination of both.* *This is because deductible temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base 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 (see paragraph 5). Entity A obtains a deduction equivalent to the tax base of the asset of CU1,000 in determining taxable profit (tax loss) either on sale or on maturity.*

27A	When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. If tax law imposes no such restrictions, an entity assesses a deductible temporary difference in combination with all of its other deductible temporary differences. However, if tax law restricts the utilisation of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.
29	When there are insufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, the deferred tax asset is recognised to the extent that: (a) it is probable that the entity will have sufficient taxable profit relating to the same taxation authority and the same taxable entity in the same period as the reversal of the deductible temporary difference (or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward). In evaluating whether it will have sufficient taxable profit in future periods, an entity: (i) compares the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences; and (ii) ignores taxable amounts arising from deductible temporary differences that are expected to originate in future periods, because the deferred tax asset arising from these deductible temporary differences will itself require future taxable profit in order to be utilised; or (b) tax planning opportunities are available to the entity that will create taxable profit in appropriate periods.
29A	The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this. For example, when an asset is measured at fair value, the entity shall consider whether there is sufficient evidence to conclude that it is probable that the entity will recover the asset for more than its carrying amount. This may be the case, for example, when an entity expects to hold a fixed-rate debt instrument and collect the contractual cash flows.
98G	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to LKAS 12), issued in September 2016, amended paragraph 29 and added paragraphs 27A, 29A and the example following paragraph 26. An entity shall apply those amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments retrospectively in accordance with LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies this relief, it shall disclose that fact.

LKAS 16 - Property, Plant and Equipment

81L	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

LKAS 18 - Revenue

No Changes

LKAS 19 - Employee Benefits

No Changes

KAS 20 - Accounting for Government Grants and Disclosure of Government Assistance

No Changes

LKAS 21 - The Effects of Changes in Foreign Exchange Rates

No Changes

LKAS 23 - Borrowing Costs

No Changes

LKAS 24 - Related Party Disclosures

No Changes

LKAS 26 - Accounting and Reporting by Retirement Benefit Plans

No Changes

LKAS 27 - Separate Financial Statements

No Changes

LKAS 28 - Investments in Associates and Joint Ventures

41A–41C	*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*

LKAS 29 - Financial Reporting in Hyperinflationary Economies

No Changes

LKAS 32 - Financial Instruments: Presentation

No Changes

LKAS 33 - Earnings per Share

No Changes

LKAS 34 - Interim Financial Reporting

No Changes

LKAS 36 - Impairment of Assets

No Changes

LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets

No Changes

LKAS 38 - Intangible Assets

No Changes

LKAS 39 - Financial Instruments: Recognition and Measurement

103L - 103M	*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*

LKAS 40 - Investment Property

19A	*-[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

SLFRS 1 - First-time Adoption of Sri Lanka Accounting Standards

39AB	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*
D19A– ~~D19D~~ D19C	*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*

SLFRS 2 - Share-based Payment

33A–33H	*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*
59A–59B	*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*
63C - 63D	*[These paragraphs refer to amendments that are not yet effective, and ~~is~~ are therefore not included in this edition.]*

SLFRS 3 - Business Combinations

28A–28B	*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*
64K-64M	*[These paragraphs refer to amendments that are not yet effective, and ~~is~~ are therefore not included in this edition.]*

SLFRS 4 - Insurance Contracts

41F–41I	*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*

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

44L	Adoption of IASB's *Annual Improvements 2012–2014 Cycle*, issued in September 2014, amended paragraphs 26–29 and added paragraph 26A. An entity shall apply those amendments prospectively in accordance with LKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to changes in a method of disposal that occur in annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

SLFRS 6 - Exploration for and Evaluation of Mineral Resources

No changes

SLFRS 7 - Financial Instruments: Disclosures - Appendix B

44Y–~~44Z~~44ZA	*[These paragraphs refer to amendments that are not yet effective, and are therefore not included in this edition.]*
44CC	*[This paragraph refers to amendments that are not yet effective, and is therefore not included in this edition.]*

SLFRS 8 - Operating Segments

No Changes

SLFRS 10 - Consolidated Financial Statements

No Changes

SLFRS 11 - Joint Arrangements

No Changes

SLFRS 12 - Disclosure of Interests in Other Entities

5A	Except as described in paragraph B17, the requirements in this SLFRS apply to an entity's interests listed in paragraph 5 that are classified (or included in a disposal group that is classified) as held for sale or discontinued operations in accordance with SLFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.
B17	When an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with SLFRS 5~~*Non-current Assets Held for Sale and Discontinued Operations*~~, the entity is not required to disclose summarised financial information for that subsidiary, joint venture or associate in accordance with paragraphs B10–B16.
C1D	*Annual Improvements to SLFRS Standards 2014–2016 Cycle*, issued in December 2016, added paragraph 5A and amended paragraph B17. An entity shall apply those amendments retrospectively in accordance with LKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2017.

SLFRS 13 - Fair Value Measurement

C5-C6	*[~~This paragraph refers~~ [These paragraphs refer to amendments that are not yet effective, and ~~is~~ are therefore not included in this edition.]*

SLFRS 14 - Regulatory Deferral Accounts

No changes

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