

*N.B.*—Sinhala and Tamil versions of this Gazette Extraordinary are published separately.



ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ ගැසට් පත්‍රය

අති විශේෂ

**The Gazette of the Democratic Socialist Republic of Sri Lanka**  
**EXTRAORDINARY**

---

අංක 1898/29 - 2015 ජනවාරි මස 21 වැනි බදාදා - 2015.01.21  
No. 1898/29 - WEDNESDAY, JANUARY 21, 2015

---

(Published by Authority)

## **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 annual improvements to Sri Lanka Accounting Standards 2014, published herewith for the purpose of the Sri Lanka Accounting and Auditing Standards, Act, No. 15 of 1995. These changes shall be effective for financial statements covering period commencing on or after the first day of July Two Thousand Fourteen.

By Order of the Council,

ARUNA ALWIS,  
Secretary.

The Institute of Chartered Accountants of Sri Lanka,  
No. 30A,  
Malalasekera Mawatha,  
Colombo 07,  
21<sup>st</sup> January, 2015.



## Annual Improvements to SLFRSs 2014

### CONTENTS

#### Introduction

#### Standards Addressed

Amendment to SLFRS 3 Business Combinations

Amendment to SLFRS 13 Fair Value Measurement

Amendment to LKAS 40 Investment Property

Amendment to SLFRS 2 Share-based Payment

Amendment to SLFRS 3 Business Combinations

Amendment to LKAS 16 Property, Plant and Equipment

Amendment to LKAS 24 Related Party Disclosures

Amendment to LKAS 38 Intangible Assets

Amendments to LKAS 19 Employee Benefits

### Introduction

This document sets out amendments to Sri Lanka Accounting Standards (SLFRSs)

The Annual Improvements process provides a vehicle for making non-urgent but necessary amendments to SLFRSs.

The effective date of each amendment is included in the SLFRSs affected.

### Standards addressed

The following table shows the topics addressed by these amendments.

Standard	Subject of amendment
SLFRS 3 <i>Business Combinations</i>	Scope exceptions for joint ventures.
SLFRS 13 <i>Fair Value Measurement</i>	Scope of paragraph 52 (portfolio exception).
LKAS 40 <i>Investment Property</i>	Clarifying the interrelationship between SLFRS 3 and LKAS 40 when classifying property as investment property or owner-occupied property.
SLFRS 3 <i>Business Combinations</i>	Scope exceptions for joint ventures.

Standard	Subject of amendment
LKAS 40 <i>Investment Property</i>	Clarifying the interrelationship between SLFRS 3 and LKAS 40 when classifying property as investment property or owner-occupied property.
SLFRS 2 <i>Share-based Payment</i>	Definition of vesting condition
SLFRS 3 <i>Business Combinations</i>	Accounting for contingent consideration in a business combination
SLFRS 8 <i>Operating Segments</i>	Aggregation of operating segments
	Reconciliation of the total of the reportable segments' assets to the entity's assets
LKAS 16 Property, Plant and Equipment	Revaluation method—proportionate restatement of accumulated depreciation
LKAS 24 Related Party Disclosure	Key management personnel
LKAS 38 Intangible Assets	Revaluation method—proportionate restatement of accumulated amortisation
LKAS 19 Employee Benefits	Clarifies how contributions from employees or third parties that are linked to service should be attributed to periods of service. Provides practical expedient, if the amount of the contributions is independent of the number of years of service

#### Amendment to SLFRS 3 *Business Combinations*

Paragraph 2 is amended and paragraph 64I is added. New text is underlined and deleted text is struck through

#### Scope

- 2 This SLFRS applies to a transaction or other event that meets the definition of a business combination. This IFRS does not apply to:
- (a) the accounting for the formation of a joint venture joint arrangement in the financial statements of the joint arrangement itself.
  - (b) ...

#### Effective date

...

- 64H *Annual Improvements Cycle 2014* amended paragraph 2(a). An entity shall apply that amendment prospectively for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

**Amendment to  
SLFRS 13 *Fair Value Measurement***

Paragraph 52 is amended and paragraph C4 is added. New text is underlined and deleted text is struck through.

**Application to financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk**

...

- 52 The exception in paragraph 48 applies only to financial assets, and financial liabilities and other contracts within the scope of LKAS39 *Financial Instruments: Recognition and Measurement* or SLFRS 9 *Financial Instruments*. The references to financial assets and financial liabilities in paragraphs 48–51 and 53–56 should be read as applying to all contracts within the scope of, and accounted for in accordance with, LKAS 39 or SLFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities in LKAS32 *Financial Instruments: Presentation*.

...

**Appendix C  
Effective date and transition**

...

- C4 *Annual Improvements to SLFRSs 2014* amended paragraph 52. An entity shall apply that amendment for annual periods beginning on or after 1 July 2014. An entity shall apply that amendment prospectively from the beginning of the annual period in which SLFRS 13 was initially applied. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

**Amendment to  
LKAS40 *Investment Property***

Before paragraph 6, a heading is added. Paragraph 14A is added. After paragraph 84 a heading and paragraphs 84A and 85D are added. Paragraphs 6 and 14 have been included for ease of reference but are not amended. New text is underlined.

**Classification of property as investment property or owner-occupied property**

- 6 ***A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property and the lessee uses the fair value model set out in paragraphs 33–55 for the asset recognised. This classification alternative is available on a property-by-property basis. However, once this classification alternative is selected for one such property interest held under an operating lease, all property classified as investment property shall be accounted for using the fair value model. When this classification alternative is selected, any interest so classified is included in the disclosures required by paragraphs 74–78.***

...

- 14 Judgement is needed to determine whether a property qualifies as investment property. An entity develops criteria so that it can exercise that judgement consistently in accordance with the definition of investment property and with the related guidance in paragraphs 7–13. Paragraph 75(c) requires an entity to disclose these criteria when classification is difficult.

- 14A Judgement is also needed to determine whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of SLFRS 3 *Business Combinations*. Reference should be made to SLFRS 3 to determine whether it is a business combination. The discussion in paragraphs 7–14 of this Standard relates to whether or not property is owner-occupied property or investment property and not to determining whether or not the acquisition of property is a business combination as defined in SLFRS 3. Determining whether a specific transaction meets the definition of a business combination as defined in SLFRS 3 and includes an investment property as defined in this Standard requires the separate application of both Standards.

## Transitional provisions

### Cost model

### Business Combinations

- 84A *Annual Improvements to SLFRSs 2014* added paragraph 14A and a heading before paragraph 6. An entity shall apply that amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts that amendment. Consequently, accounting for acquisitions of investment property in prior periods shall not be adjusted. However, an entity may choose to apply the amendment to individual acquisitions of investment property that occurred prior to the beginning of the first annual period occurring on or after the effective date if, and only if, information needed to apply the amendment to those earlier transactions is available to the entity.

### Effective date

...

- 85D *Annual Improvements to SLFRSs 2014* added headings before paragraph 6 and after paragraph 84 and added paragraphs 14A and 84A. An entity shall apply those amendments for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

### Amendment to SLFRS 2 *Share-based Payment*

Paragraphs 15 and 19 were amended and paragraph 63B was added. New text is underlined and deleted text is struck through.

#### Transactions in which services are received

...

- 15 If the equity instruments granted do not vest until the counterparty completes a specified period of service, the entity shall presume that the services to be rendered by the counterparty as consideration for those equity instruments will be received in the future, during the *vesting period*. The entity shall account for those services as they are rendered by the counterparty during the vesting period, with a corresponding increase in equity. For example:
- (a) ...
  - (b) if an employee is granted share options conditional upon the achievement of a ~~performance condition~~ *performance condition* and remaining in the entity's employ until that performance condition is satisfied, and the length of the vesting period varies depending on when that performance condition is satisfied, the entity shall presume that the services to be rendered by the employee as consideration for the share options will be received in the future, over the expected vesting period.

...

## Treatment of vesting conditions

- 19 A grant of equity instruments might be conditional upon satisfying specified ~~vesting conditions~~ vesting conditions. For example, a grant of shares or share options to an employee is typically conditional on the employee remaining in the entity's employ for a specified period of time. There might be performance conditions that must be satisfied, such as the entity achieving a specified growth in profit or a specified increase in the entity's share price. Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Hence, on a cumulative basis, no amount is recognised for goods or services received if the equity instruments granted do not vest because of failure to satisfy a ~~vesting condition~~ *vesting condition*, eg the counterparty fails to complete a specified service period, or a performance condition is not satisfied, subject to the requirements of paragraph 21.

...

## Effective date

...

- 63B *Annual Improvements to SLFRSs 2014*, amended paragraphs 15 and 19. In Appendix A, the definitions of 'vesting conditions' and 'market condition' were amended and the definitions of 'performance condition' and 'service condition' were added. An entity shall prospectively apply that amendment to share-based payment transactions for which the grant date is on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

In Appendix A, the definitions of 'market condition' and 'vesting conditions' are amended and the definitions of 'performance condition' and 'service condition' are added. New text is underlined and deleted text is struck through.

## Appendix A Defined terms

*This appendix is an integral part of the SLFRS.*

...

**market condition** A ~~performance condition~~ **condition** upon which the exercise price, vesting or exercisability of an **equity instrument** depends that is related to the market price (or value) of the entity's **equity instruments** (or the equity instruments of another entity in the same group), such as:

- (a) attaining a specified share price or a specified amount of **intrinsic value** of a **share option**; or
- (b) achieving a specified target that is based on the market price (or value) of the entity's **equity instruments** (or the equity instruments of another entity in the same group) relative to an index of market prices of **equity instruments** of other entities.

A market condition requires the counterparty to complete a specified period of service (ie a **service condition**); the service requirement can be explicit or implicit.

**performance condition** A **vesting condition** that requires:

- (a) the counterparty to complete a specified period of service (ie a **service condition**); the service requirement can be explicit or implicit; and
- (b) Specified performance target(s) to be met while the counterparty is rendering the service required in (a).

The period of achieving the performance target(s):

- (a) shall not extend beyond the end of the service period ; and
- (b) may start before the service period on the condition that the commencement date of the performance target is not substantially before the commencement of the service period.

A performance target is defined by reference to:

- (a) the entity's own operations (or activities) or the operations or activities of another entity in the same group (ie a non-market condition); or
- (b) the price (or value) of the entity's **equity instruments** or the equity instruments of another entity in the same group (including shares and **share options**) (ie a **market condition**).

A performance target might relate either to the performance of the entity as a whole or to some part of the entity (or part of the group), such as a division or an individual employee.

...

**service condition** A **vesting condition** that requires the counterparty to complete a specified period of service during which services are provided to the entity. If the counterparty, regardless of the reason, ceases to provide service during the **vesting period**, it has failed to satisfy the condition. A service condition does not require a performance target to be met.

...

**vesting conditions** The A conditions that determines 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**. A **vesting conditions** are is either **service conditions** a **service condition** or **performance conditions** a **performance condition**. **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 condition**.

#### Amendment to SLFRS 3 *Business Combinations*

Paragraphs 40 and 58 are amended and paragraph 64I and paragraph 67A and its related heading are added. New text is underlined and deleted text is struck through.

#### *Contingent consideration*

...

- 40 The acquirer shall classify an obligation to pay contingent consideration that meets the definition of a financial instrument as a financial liability or as equity on the basis of the definitions of an equity instrument and a financial liability in paragraph 11 of LKAS 32 *Financial Instruments: Presentation*, ~~or other applicable SLFRSs~~. The acquirer

shall classify as an asset a right to the return of previously transferred consideration if specified conditions are met. Paragraph 58 provides guidance on the subsequent accounting for contingent consideration.

...

#### **Contingent consideration**

58 Some changes in the fair value of contingent consideration that the acquirer recognises after the acquisition date may be the result of additional information that the acquirer obtained after that date about facts and circumstances that existed at the acquisition date. Such changes are measurement period adjustments in accordance with paragraphs 45–49. However, changes resulting from events after the acquisition date, such as meeting an earnings target, reaching a specified share price or reaching a milestone on a research and development project, are not measurement period adjustments. The acquirer shall account for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:

(a) ...

(b) Other contingent consideration ~~classified as an asset or a liability~~ that:

(i) ~~is a financial instrument and~~ is within the scope of SLFRS 9 shall be measured at fair value at each reporting date, ~~with any resulting gain or loss recognised either in profit or loss or in other comprehensive income~~ and changes in fair value shall be recognised in profit or loss in accordance with SLFRS 9.

(ii) is not within the scope of SLFRS 9 shall be ~~accounted for in accordance with LKAS 37 or other SLFRSs as appropriate~~. Measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

...

#### **Effective date**

...

64I *Annual Improvements to SLFRSs 2014*, amended paragraphs 40 and 58 and added paragraph 67A and its related heading. An entity shall apply that amendment prospectively to business combinations for which the acquisition date is on or after 1 July 2014. Earlier application is permitted. An entity may apply the amendment earlier provided that SLFRS 9 and LKAS 37 (both as amended by *Annual Improvements to SLFRSs 2014* have also been applied. If an entity applies that amendment earlier it shall disclose that fact.

#### **Reference to SLFRS 9**

---

67A If an entity applies this Standard but does not yet apply SLFRS 9, any reference to SLFRS 9 should be read as a reference to LKAS 39.

#### **Consequential amendments to other SLFRSs resulting from the amendment to SLFRS 3**

#### **Amendment to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets**

Paragraph 5 is amended and paragraph 99 is added. New text is underlined and deleted text is struck through.
--



---

## Scope

---

...

- 5 When another Standard deals with a specific type of provision, contingent liability or contingent asset, an entity applies that Standard instead of this Standard. For example, some types of provisions are addressed in Standards on:

(a) ...

(d) employee benefits (see LKAS 19 *Employee Benefits*); and

(e) insurance contracts (see SLFRS 4 *Insurance Contracts*). However, this Standard applies to provisions, contingent liabilities and contingent assets of an insurer, other than those arising from its contractual obligations and rights under insurance contracts within the scope of SLFRS 4; and

(f) contingent consideration of an acquirer in a business combination (see SLFRS 3 *Business Combinations*).

...

---

## Effective date

---

...

- 99 *Annual Improvements to SLFRSs 2014*, amended paragraph 5 as a consequential amendment derived from the amendment to SLFRS 3. An entity shall apply that amendment prospectively to business combinations to which the amendment to SLFRS 3 applies.

## **Amendment to LKAS 39 *Financial Instruments: Recognition and Measurement***

Paragraph 9 is amended and paragraph 108F is added. New text is underlined.

---

## Definitions

---

...

- 9 The following terms are used in this Standard with the meanings specified:

...

### **Definitions of four categories of financial instruments**

***A financial asset or financial liability at fair value through profit or loss is a financial asset or financial liability that meets either any of the following conditions.***

(a) ...

(aa) **It is contingent consideration of an acquirer in a business combination to which SLFRS 3 *Business Combinations* applies.**

(a) ...

### Effective date and transition

---

...

- 108F *Annual Improvements to SLFRSs 2014*, amended paragraph 9 as a consequential amendment derived from the amendment to SLFRS 3. An entity shall apply that amendment prospectively to business combinations to which the amendment to SLFRS 3 applies.

### Amendments to SLFRS 8 Operating Segments

Paragraphs 22 and 28 are amended and paragraph 36C is added. New text is underlined and deleted text is struck through.
---

### General information

- 22 An entity shall disclose the following general information:

- (a) factors used to identify the entity's reportable segments, including the basis of organisation (for example, whether management has chosen to organise the entity around differences in products and services, geographical areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated); ~~and~~
- (aa) the judgements made by management in applying the aggregation criteria in paragraph 12. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics; and
- (b) types of products and services from which each reportable segment derives its revenues.

...

### Reconciliations

- 28 An entity shall provide reconciliations of all of the following:

- (a) ...
- (c) the total of the reportable segments' assets to the entity's assets if the segment assets are reported in accordance with paragraph 23.
- (b) ...

### Transition and effective date

---

...

- 36C *Annual Improvements to SLFRSs 2014*, amended paragraphs 22 and 28. An entity shall apply those amendments for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

**Amendment to  
LKAS 16 Property, Plant and Equipment**

Paragraph 35 is amended and paragraphs 80A and 81H are added. New text is underlined and deleted text is struck through.

**Revaluation model**

...

- 35 When an item of property, plant and equipment is revalued, ~~any accumulated depreciation~~ the carrying amount of that asset is adjusted to the revalued amount. ~~At the date of the revaluation, the asset is treated in one of the following ways:~~

- (a) ~~restated proportionately~~ the gross carrying amount is adjusted in a manner that is consistent with the ~~change in the gross carrying amount of the asset so that~~ revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or ~~after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of applying an index to determine its replacement cost (see SLFRS 13).~~
- (b) the accumulated depreciation is eliminated against the gross carrying amount of the asset. ~~and the net amount restated to the revalued amount of the asset. This method is often used for buildings.~~

The amount of the adjustment arising on the restatement or elimination of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs 39 and 40.

...

**Transitional provisions**

...

- 80A Paragraph 35 was amended by *Annual Improvements to SLFRSs 2014*. An entity shall apply that amendment to all revaluations recognised in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period. An entity may also present adjusted comparative information for any earlier periods presented, but it is not required to do so. If an entity presents unadjusted comparative information for any earlier periods, it shall clearly identify the information that has not been adjusted, state that it has been presented on a different basis and explain that basis.

**Effective date**

...

- 81H *Annual Improvements to SLFRSs 2014*, amended paragraph 35 and added paragraph 80A. An entity shall apply that amendment for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

**Amendment to  
LKAS 24 *Related Party Disclosures***

Paragraph 9 is amended and paragraphs 17A, 18A and 28C are added. New text is underlined.

**Definitions**

---

**9 The following terms are used in this Standard with the meanings specified:**

***A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).***

(a) ...

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

(i) ...

(viii) **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.**

...

**All entities**

...

**17A If an entity obtains key management personnel services from another entity (the ‘management entity’), the entity is not required to apply the requirements in paragraph 17 to the compensation paid or payable by the management entity to the management entity’s employees or directors.**

**18 ...**

**18A Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.**

...

**Effective date and transition**

---

...

**28C *Annual Improvements to SLFRSs 2014*, amended paragraph 9 and added paragraphs 17A and 18A. An entity shall apply that amendment for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.**

**Amendment to  
LKAS 38 *Intangible Assets***

Paragraph 80 is amended and underlined and deleted text is struck through Paragraphs 130H–130I are added. New text is underlined.

## Revaluation model

...

- 80 If When an intangible asset is revalued, ~~any accumulated amortisation~~ the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is ~~either~~ treated in one of the following ways:
- (a) ~~restated proportionately~~ the gross carrying amount is adjusted in a manner that is consistent with the ~~change in the gross carrying amount of the asset so that~~ revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated amortisation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses ~~after revaluation equals its revalued amount; or~~
  - (c) the accumulated amortisation is eliminated against the gross carrying amount of the asset. ~~and the net amount restated to the revalued amount of the asset.~~

The amount of the adjustment of accumulated amortisation forms part of the increase or decrease in the carrying amount that is accounted for in accordance with paragraphs 85 and 86.

...

## Transitional provisions and effective date

...

- 130H *Annual Improvements to SLFRSs 2014*, amended paragraph 80. An entity shall apply that amendment for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.
- 130I An entity shall apply the amendment made by *Annual Improvements to SLFRSs 2014* to all revaluations recognised in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period. An entity may also present adjusted comparative information for any earlier periods presented, but it is not required to do so. If an entity presents unadjusted comparative information for any earlier periods, it shall clearly identify the information that has not been adjusted, state that it has been presented on a different basis and explain that basis.

## Amendments to

### LKAS 19 *Employee Benefits*

#### Actuarial assumptions: salaries, benefits and medical costs

...

- 92 Some defined benefit plans require employees or third parties to contribute to the cost of the plan. Contributions by employees reduce the cost of the benefits to the entity. An entity considers whether third-party contributions reduce the cost of the benefits to the entity, or are a reimbursement right as described in paragraph 116. Contributions by employees or third parties are either set out in the formal terms of the plan (or arise from a constructive obligation that goes beyond those terms), or are discretionary. Discretionary contributions by employees or third parties reduce service cost upon payment of these contributions to the plan.
- 93 Contributions from employees or third parties set out in the formal terms of the plan either reduce service cost (if they are linked to service), or ~~reduce~~ affect remeasurements of the net defined benefit liability (asset) (if they are not linked to service). An example of contributions that are not linked to service is when ~~(eg if the contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses).~~ If ~~contributions from employees or third parties are linked to~~ ~~in respect of~~ service, those contributions reduce the service cost as follows: ~~are attributed to~~

period of service as a negative benefit in accordance with paragraph 70 (ie the net benefit is attributed in accordance with that paragraph).

- (a) if the amount of the contributions is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method required by paragraph 70 for the gross benefit (ie either using the plan's contribution formula or on a straight-line basis); or
- (b) if the amount of the contributions is independent of the number of years of service, the entity is permitted to recognise such contributions as a reduction of the service cost in the period in which the related service is rendered. Examples of contributions that are independent of the number of years of service include those that are a fixed percentage of the employee's salary, a fixed amount throughout the service period or dependent on the employee's age.

Paragraph A1 provides related application guidance.

- 94 For contributions from employees or third parties that are attributed to periods of service in accordance with paragraph 93(a), ~~c~~Changes in ~~employee or third-party~~ the contributions in respect of service result in:

- (a) current and past service cost (if those changes ~~in employee contributions~~ are not set out in the formal terms of a plan and do not arise from a constructive obligation); or
- (b) actuarial gains and losses (if those changes ~~in employee contributions~~ are set out in the formal terms of a plan, or arise from a constructive obligation).

...

---

#### Transition and effective date

---

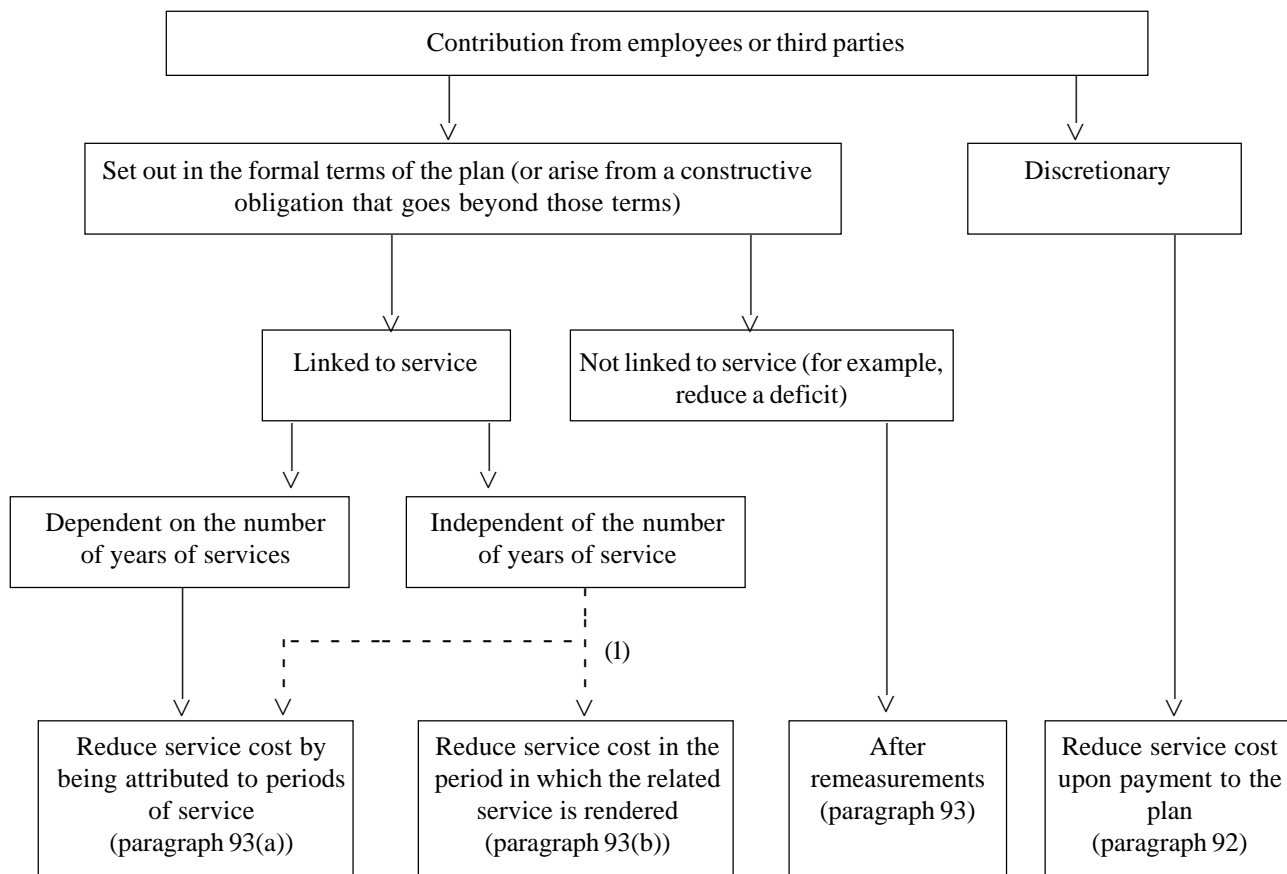
...

- 175 Defined Benefit Plans: Employee Contributions (Amendments to LKAS 19), issued in 2014, amended paragraphs 93–94. An entity shall apply those amendments for annual periods beginning on or after 1 July 2014 retrospectively in accordance with LKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact

## Appendix A Application Guidance

*This appendix is an integral part of the SLFRS. It describes the application of paragraphs 92-93 and has the same authority as the other parts of the SLFRS.*

A1 The accounting requirements for contributions from employees or third parties are illustrated in the diagram below.



(1) This dotted arrow means that an entity is permitted to choose either accounting.