

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



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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 Sri Lanka Accounting Standards Changes 2024 effective for annual reporting periods beginning on or after 01st January 2024 published herewith for the purpose of the Sri Lanka Accounting and Auditing Standards, Act, No. 15 of 1995. These changes to the Standards shall be effective for annual reporting periods beginning on or after 01st January 2024.

By Order of the Council,

R.S. Anoma Priyadarshani,
Secretary.

The Institute of Chartered Accountants of Sri Lanka,
No. 30A,
Malalasekera Mawatha,
Colombo 07.
29th February, 2024.



SRI LANKA ACCOUNTING STANDARDS CHANGES WITH EFFECT FROM 01ST JANUARY 2024

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| Amendments | Amended Standards |
|---|-------------------|
| Classification of Liabilities as Current or Non-current-amendment to LKAS 1 | LKAS 1 |
| Lease Liability in a Sale and Leaseback – Amendment to SLFRS 16 | SLFRS 16 |
| Non-current Liabilities with Covenants – Amendments to LKAS 1 | LKAS 1 |
| Supplier Finance Arrangements – amendments to LKAS and SLFRS 7 | LKAS, SLFRS 7 |
| International Tax Reform-Pillar Two Model Rule – Amendments to LKAS 12 | LKAS 12 |

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|---|---|
| Conceptual Framework for Financial Reporting | |
| No Changes | |
| SLFRS 1 – First-time Adoption of Sri Lanka Accounting Standards (SLFRSs) | |
| No Changes | |
| SLFRS 2 – Share-based Payment | |
| No Changes | |
| SLFRS 3 – Business Combinations | |
| No Changes | |
| SLFRS 4 – Insurance Contracts | |
| No Changes | |
| SLDRS 5 – Non-current Assets Held for Sale and Discontinued Operations | |
| No Changes | |
| SLFRS 6 – Exploration for and Evaluation of Mineral Resources | |
| No Changes | |
| SLFRS 7 - Financial Instruments: Disclosures | |
| 44JJ | <i>Supplier Finance Arrangements</i> , issued in May 2023, which also amended LKAS 7, amended paragraph B11F. An entity shall apply that amendment when it applies the amendments toLKAS 7. |
| B11F (j) | has accessed, or has access to, facilities under <i>Supplier Finance Arrangements</i> (as described in paragraph 44G of LKAS 7) that provide the entity with extended payment terms or the entity’s suppliers with early payment terms. |
| SLFRS 8 – Operating Segments | |
| No Changes | |
| SLFRS 9 – Financial Instruments | |
| No Change | |
| SLFRS 10 – Consolidated Financial Statements | |
| No Changes | |
| SLFRS 11 – Joint Arrangements | |
| No Changes | |
| SLFRS 12 – Disclosure of Interest in Other Entities | |
| No Changes | |
| SLFRS 13 – Fair Value Measurement | |
| No Changes | |
| SLFRS 14 – Regulatory Deferral Accounts | |
| No Changes | |
| SLFRS 15 – Revenue from Contracts with Customers | |
| No Changes | |

| SLFRS 16-Leases | |
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| 102A | After the commencement date, the seller-lessee shall apply paragraphs 29–35 to the right-of- use asset arising from the leaseback and paragraphs 36–46 to the lease liability arising from the leaseback. In applying paragraphs 36–46, the seller-lessee shall determine ‘lease payments’ or ‘revised lease payments’ in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying the requirements in this paragraph does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease as required by paragraph 46(a). |
| C1D | <i>Lease Liability in a Sale and Leaseback</i> , issued in September 2022, amended paragraph C2 and added paragraphs 102A and C20E. A seller-lessee shall apply these amendments for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies these amendments for an earlier period, it shall disclose that fact. |
| C20E | Lease liability in a sale and leaseback A seller-lessee shall apply Lease Liability in a Sale and Leaseback (see paragraph C1D) retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application. |
| SLFRS 17 – Insurance Contracts (Standard Not Yet Effective) | |
| No Change | |
| LKAS 1 – Presentation of Financial Statements | |
| 69 (d) | it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. |
| 72A | <i>Right to defer settlement for at least twelve months (paragraph 69(d))</i> An entity’s right to defer settlement of a liability for at least twelve months after the reporting period must have substance and, as illustrated in paragraphs 72B–75, must exist at the end of the reporting period. |
| 72B | An entity’s right to defer settlement of a liability arising from a loan arrangement for at least twelve months after the reporting period may be subject to the entity complying with conditions specified in that loan arrangement (hereafter referred to as ‘covenants’). For the purposes of applying paragraph 69(d), such covenants: |

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| | <p>(a) affect whether that right exists at the end of the reporting period—as illustrated in paragraphs 74–75—if an entity is required to comply with the covenant on or before the end of the reporting period. Such a covenant affects whether the right exists at the end of the reporting period even if compliance with the covenant is assessed only after the reporting period (for example, a covenant based on the entity’s financial position at the end of the reporting period but assessed for compliance only after the reporting period).</p> <p>(b) do not affect whether that right exists at the end of the reporting period if an entity is required to comply with the covenant only after the reporting period (for example, a covenant based on the entity’s financial position six months after the end of the reporting period).</p> |
| 75A | <p>Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. If a liability meets the criteria in paragraph 69 for classification as non-current, it is classified as non-current even if management intends or expects the entity to settle the liability within twelve months after the reporting period, or even if the entity settles the liability between the end of the reporting period and the date the financial statements are authorised for issue. However, in either of those circumstances, the entity may need to disclose information about the timing of settlement to enable users of its financial statements to understand the impact of the liability on the entity’s financial position (see paragraphs 17(c) and 76(d)).</p> |
| 76 | <p>If the following events occur between the end of the reporting period and the date the financial statements are authorised for issue, those events are disclosed as non-adjusting events in accordance with LKAS 10 <i>Events after the Reporting Period</i>:</p> <p>(a) refinancing on a long-term basis of a liability classified as current (see paragraph 72);</p> <p>(b) rectification of a breach of a long-term loan arrangement classified as current (see paragraph 74);</p> <p>(c) the granting by the lender of a period of grace to rectify a breach of a long-term loan arrangement classified as current (see paragraph 75); and</p> <p>(d) settlement of a liability classified as non-current (see paragraph 75A).</p> |

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| 76ZA | <p>In applying paragraphs 69–75, an entity might classify liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period (see paragraph 72B(b)). In such situations, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, including:</p> <ul style="list-style-type: none"> (a) information about the covenants (including the nature of the covenants and when the entity is required to comply with them) and the carrying amount of related liabilities. (b) facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants—for example, the entity having acted during or after the reporting period to avoid or mitigate a potential breach. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants if they were to be assessed for compliance based on the entity’s circumstances at the end of the reporting period. |
| 76A | <p><i>Settlement (paragraphs 69(a), 69(c) and 69(d))</i></p> <p>For the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of:</p> <ul style="list-style-type: none"> (a) cash or other economic resources—for example, goods or services; or (b) the entity’s own equity instruments, unless paragraph 76B applies. |
| 76B | <p>Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments do not affect its classification as current or non-current if, applying LKAS 32 Financial Instruments: Presentation, the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument.</p> |
| 139U | <p>Classification of Liabilities as Current or Non-current, issued in January 2020 amended paragraphs 69, 73, 74 and 76 and added paragraphs 72A, 75A, 76A and 76B. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2024 retrospectively in accordance with LKAS 8. Earlier application is permitted. If an entity applies those amendments for an earlier period after the issue of Non-current Liabilities with Covenants (see paragraph 139W), it shall also apply Non-current Liabilities with Covenants for that period. If an entity applies Classification of Liabilities as Current or Non-current for an earlier period, it shall disclose that fact.</p> |

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| 139W | <p><i>Non-current Liabilities with Covenants</i>, issued in October 2022, amended paragraphs 60, 71,72A, 74 and 139U and added paragraphs 72B and 76ZA. An entity shall apply:</p> <p>(a) the amendment to paragraph 139U immediately on issue of <i>Non-current Liabilitieswith Covenants</i>.</p> <p>(b) all other amendments for annual reporting periods beginning on or after 1 January2024 retrospectively in accordance with LKAS 8. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall also apply <i>Classification of Liabilities as Current or Non-current</i> for that period. If an entity applies <i>Non-current Liabilities with Covenants</i> for an earlier period, it shall disclosethat fact.</p> |
| LKAS 7 - Statement of Cash Flows | |
| 44F | <p>Supplier Finance Arrangements</p> <p>An entity shall disclose information about its <i>Supplier Finance Arrangements</i> (as described in paragraph 44G) that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk.</p> |
| 44G | <p>Supplier Finance Arrangements are characterised by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Supplier Finance Arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements. Arrangements that are solely credit enhancements for the entity (for example, financial guarantees including letters of credit used as guarantees) or instruments used by the entity to settle directly with a supplier the amounts owed (for example, credit cards) are not Supplier Finance Arrangements.</p> |
| 44H | <p>To meet the objectives in paragraph 44F, an entity shall disclose in aggregate for its <i>SupplierFinance Arrangements</i>:</p> <p>(a) the terms and conditions of the arrangements (for example, extended payment termsand security or guarantees provided). However, an entity shall disclose separately the terms and conditions of arrangements that have dissimilar terms and conditions.</p> <p>(b) as at the beginning and end of the reporting period:</p> <p>(i) the carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement.</p> |

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| | <p>(ii) the carrying amounts, and associated line items, of the financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers.</p> <p>(iii) the range of payment due dates (for example, 30–40 days after the invoice date) for both the financial liabilities disclosed under (i) and comparable trade payables that are not part of a supplier finance arrangement. Comparable trade payables are, for example, trade payables of the entity within the same line of business or jurisdiction as the financial liabilities disclosed under (i). If ranges of payment due dates are wide, an entity shall disclose explanatory information about those ranges or disclose additional ranges (for example, stratified ranges).</p> <p>(c) the type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed under (b)(i). Examples of non-cash changes include the effect of business combinations, exchange differences or other transactions that do not require the use of cash or cash equivalents (see paragraph 43).</p> |
| 62 | <i>Supplier Finance Arrangements</i> , issued in May 2023, added paragraphs 44F–44H. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. |
| 63 | <p>In applying <i>Supplier Finance Arrangements</i>, an entity is not required to disclose:</p> <p>(a) comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments.</p> <p>(b) the information otherwise required by paragraph 44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.</p> <p>(c) the information otherwise required by paragraphs 44F–44H for any interim period presented within the annual reporting period in which the entity first applies those amendments.</p> |
| LKAS 12 – Income Taxes | |
| 4A | This Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules. |

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| | Such tax law, and the income taxes arising from it, are hereafter referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’. As an exception to the requirements in this Standard, an entity shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. |
| 88A | International tax reform—Pillar Two model rules An entity shall disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes (see paragraph 4A). |
| 88B | An entity shall disclose separately its current tax expense (income) related to Pillar Two income taxes. |
| 88C | In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity’s exposure to Pillar Two income taxes arising from that legislation. |
| 88D | <p>To meet the disclosure objective in paragraph 88C, an entity shall disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. This information does not have to reflect all the specific requirements of the Pillar Two legislation and can be provided in the form of an indicative range. To the extent information is not known or reasonably estimable, an entity shall instead disclose a statement to that effect and disclose information about the entity’s progress in assessing its exposure.</p> <p>Examples illustrating paragraphs 88C–88D Examples of information an entity could disclose to meet the objective and requirements in paragraphs 88C–88D include: qualitative information such as information about how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist; and quantitative information such as: an indication of the proportion of an entity’s profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or an indication of how the entity’s average effective tax rate would have changed if Pillar Two legislation had been in effect.</p> |
| 98M | <i>International Tax Reform—Pillar Two Model Rules</i> , issued in May 2023, added paragraphs 4A and 88A–88D. An entity shall: (a) apply paragraphs 4A and 88A immediately upon the issue of these amendments and retrospectively in accordance with LKAS 8; and (b) apply paragraphs 88B–88D for annual reporting periods beginning on or after 1 January 2023. An entity is not required to disclose the information required by these paragraphs for any interim period ending on or before 31 December 2023. |

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| LKAS 19 – Employee Benefits |
| No Changes |
| LKAS 20 – Accounting for Government Grants and Disclosure of Government assistance |
| No Change |
| 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 Change |
| LKAS 27 – Separate Financial Statements |
| No Changes |
| LKAS 28 – Investments in associates and Joint Ventures |
| No Changes |
| LKAS 29 – Financial Reporting in Hyperinflationary Economies |
| No Changes |
| LKAS 32 - Financial Instruments: Presentation |
| No Changes |
| LKAS 33 – Earning 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 |

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| LKAS 38 – Intangible Assets |
| No Changes |
| LKAS 39 – Financial Instruments: Recognition and Measurement |
| No Change |
| LKAS 40 – Investment Property |
| No Change |
| LKAS 41 - Agriculture |
| No Change |

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