

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 Changes of Sri Lanka Accounting Standards with effect from 01st January 2015, published herewith for the purpose of the Sri Lanka Accounting and Auditing Standards, Act, No. 15 of 1995. This Standard shall be effective for financial statements covering period commencing on or after the first day of January Two Thousand Fifteen. 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.
26th November, 2015



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Sri Lanka Accounting Standards changes with effect from 01st January 2015

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The Conceptual Framework for Financial Reporting

No Changes

LKAS 1 - Presentation of Financial Statements

Para 69 (d)	it does not have a right at the reporting date to defer settlement of the liability by the transfer of cash or other assets for at least twelve months after the reporting period (see paragraph 73). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
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LKAS 2 - Inventories

No Changes

LKAS 7 - Statement of Cash Flow

No Changes

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

No Changes

LKAS 16 - Property, Plant and Equipment

35	When an item of property, plant and equipment is revalued, <u>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:</u> (a) <u>the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by</u>
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	<p>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</p> <p>(b) <u>the accumulated depreciation is eliminated against the gross carrying amount of the asset.</u></p> <p>The amount of the adjustment of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs 39 and 40.</p>
80A	<p><u>Paragraph 35 was amended by <i>Annual Improvements to SLFRSs 2014</i>. 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.</u></p>
81H	<p><u><i>Annual Improvements to SLFRSs 2014, issued in September 2014,</i> amended paragraph 35 and added paragraph 80A. An entity shall apply that amendment for annual periods beginning on or after 1st July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.</u></p>

LKAS 17 - Leases

No Changes

LKAS 18 - Revenue

No Changes

LKAS 19 - Employee Benefits

Para 93	<p>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 affect remeasurements of the net defined benefit liability (asset) (if they are not linked to service). <u>An example of contributions that are not linked to service is when 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 service, those contributions reduce the service cost as follows:</u></p> <p>(a) <u>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</u></p> <p>(b) <u>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</u></p>
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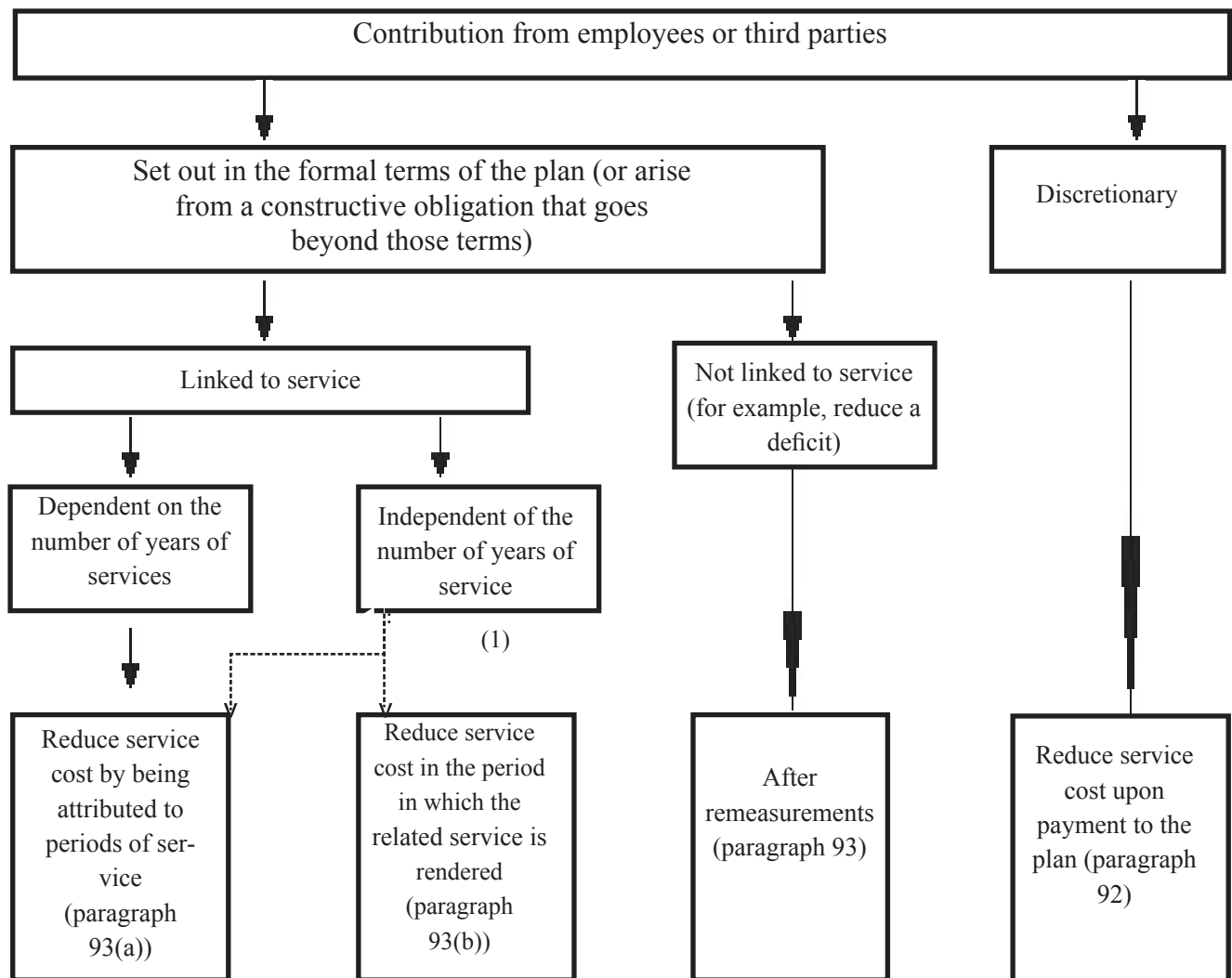
	<p><u>in which the related service is rendered. Examples of contributions that are independent of the number of years of service include those that are a fixed percentage of the employee's salary, a fixed amount throughout the service period or dependent on the employee's age.</u></p> <p><u>Paragraph A1 provides related application guidance.</u></p>
94	<p><u>For contributions from employees or third parties that are attributed to periods of service in accordance with paragraph 93(a), changes in the contributions result in:</u></p> <p><u>(a) current and past service cost (if those changes are not set out in the formal terms of a plan and do not arise from a constructive obligation); or</u></p> <p><u>(b) actuarial gains and losses (if those changes are set out in the formal terms of a plan, or arise from a constructive obligation).</u></p>
175	<p><u>Defined Benefit Plans: Employee Contributions (Amendments to LKAS 19), issued in September 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.</u></p>

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.

LKAS 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

9 (b) (viii)	<u>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.</u>
17A	<u>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.</u>
18A	<u>Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.</u>
28C	<u>Annual Improvements to SLFRSs 2014, issued in September 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.</u>

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

No Changes

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

5 (f)	<u>contingent consideration of an acquirer in a business combination (see SLFRS 3 <i>Business Combinations</i>).</u>
99	<u>Annual Improvements to SLFRSs 2014 issued in September 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.</u>

LKAS 38 - Intangible Assets

80	<p><u>When an intangible asset is revalued, 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:</u></p> <p>(a) <u>the gross carrying amount is adjusted in a manner that is consistent with the 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; or</u></p> <p>(b) <u>the accumulated amortisation is eliminated against the gross carrying amount of the asset.</u></p> <p><u>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.</u></p>
130H	<u>Annual Improvements to SLFRSs 2014, issued in September 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.</u>

130I	An entity shall apply the amendment made by <i>Annual Improvements to SLFRSs 2014</i> 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.
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LKAS 39 - Financial Instruments: Recognition and Measurement

9 (aa)	<u>It is contingent consideration of an acquirer in a business combination to which SLFRS 3 Business Combinations applies.</u>
108F	<u>Annual Improvements to SLFRSs 2014</u> , issued in September 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.
AG34	As a consequence of the principle in paragraph 14, an entity recognises all of its contractual rights and obligations under derivatives in its statement of financial position as assets and liabilities, respectively, except for derivatives that prevent a transfer of financial assets from being accounted for as a sale (see paragraph AG49). If a transfer of a financial asset does not qualify for derecognition, the transferee does not recognise the transferred asset as its asset (see paragraph AG50).
AG35	<p>The following are examples of applying the principle in paragraph 14:</p> <ul style="list-style-type: none"> (a) <u>unconditional receivables and payables are recognised as assets or liabilities when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash.</u> (b) <u>assets to be acquired and liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services are generally not recognised until at least one of the parties has performed under the agreement. For example, an entity that receives a firm order does not generally recognise an asset (and the entity that places the order does not recognise a liability) at the time of the commitment but, rather, delays recognition until the ordered goods or services have been shipped, delivered or rendered. If a firm commitment to buy or sell non-financial items is within the scope of this Standard under paragraphs 5–7, its net fair value is recognised as an asset or liability on the commitment date (see (c) below). In addition, if a previously unrecognised firm commitment is designated as a hedged item in a fair value hedge, any change in the net fair value attributable to the hedged risk is recognised as an asset or liability after the inception of the hedge (see paragraphs 93 and 94).</u> (c) <u>a forward contract that is within the scope of this Standard (see paragraphs 2–7) is recognised as an asset or a liability on the commitment date, rather than on the date on which settlement takes place. When an entity becomes a party to a forward contract, the fair values of the right and obligation are often equal, so that the net fair value of the forward is zero. If the net fair value of the right and obligation is not zero, the contract is recognised as an asset or liability.</u>

	(d) <u>option contracts that are within the scope of this Standard (see paragraphs 2–7) are recognised as assets or liabilities when the holder or writer becomes a party to the contract.</u>
	(e) <u>planned future transactions, no matter how likely, are not assets and liabilities because the entity has not become a party to a contract.</u>

LKAS 40 - Investment Property

Para 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.
84A	<u>Annual Improvements to SLFRSs 2014 issued in September 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.</u>
85D	<u>Annual Improvements to SLFRSs 2014 issued in September 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.</u>

LKAS 41 - Agriculture

No Changes

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

B7 (b)	the requirements in paragraphs 23 and <u>B96</u> for accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and
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SLFRS 2 - Share-based Payment

63B	<u>Annual Improvements to SLFRSs 2014</u> , issued in September 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.
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SLFRS 2 Appendix A

market condition	<p>performance 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:</p> <p>(a) attaining a specified share price or a specified amount of intrinsic value of a share option; or</p> <p>(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.</p> <p>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.</p>
performance condition	<p>A vesting condition that requires:</p> <p>(a) the counterparty to complete a specified period of service (ie a service condition); the service requirement can be explicit or implicit; and</p> <p>(b) specified performance target(s) to be met while the counterparty is rendering the service required in (a).</p> <p>The period of achieving the performance target(s):</p> <p>(a) shall not extend beyond the end of the service period; and</p> <p>(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.</p> <p>A performance target is defined by reference to :</p> <p>(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</p>

	<p>(b) <u>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).</u></p> <p><u>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.</u></p>
service condition	<p><u>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.</u></p>
vesting conditions	<p><u>A condition 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 condition is either a service condition or a performance condition.</u></p>

SLFRS 3 - Business Combinations

2 (a)	<p><u>the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.</u></p>
Para 40	<p>The acquirer shall classify an obligation to pay contingent consideration <u>that meets the definition of a financial instrument</u> as a <u>financial liability</u> or as equity on the basis of the definitions of an equity instrument and a financial liability in paragraph 11 of LKAS 32 <i>Financial Instruments: Presentation</i>. 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.</p>
Para 58 (b)	<p><u>Other contingent consideration that:</u></p> <p>(i) <u>is within the scope of SLFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with that SLFRS.</u></p> <p>(ii) <u>is not within the scope of SLFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.</u></p>
64I	<p><u>Annual Improvements to SLFRSs 2014, issued in September 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.</u></p>
Para 64J	<p><u>Annual Improvements to SLFRSs 2014 issued in September 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.</u></p>

SLFRS 4 - Insurance Contracts

No changes

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

33 (b) (iv)	<u>the related income tax expense as required by paragraph 81(h) of LKAS 12.</u>
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SLFRS 6 - Exploration for and Evaluation of Mineral Resources

No changes

SLFRS 7 - Financial Instruments: Disclosures - Appendix B

No Changes

SLFRS 8 - Operating Segments

22 (aa)	<u>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</u>
28 (c)	<u>the total of the reportable segments' assets to the entity's assets if the segment assets are reported in accordance with paragraph 23.</u>
Para 36C	<u>Annual Improvements to SLFRSs 2014, issued in September 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.</u>

SLFRS 10 - Consolidated Financial Statements

No changes

SLFRS 11 - Joint Arrangements

No changes

SLFRS 12 - Disclosure of Interests in Other Entities

No changes

SLFRS 13 - Fair Value Measurement

52	The exception in paragraph 48 applies only to financial assets, financial liabilities and <u>other contracts</u> within the scope of LKAS 39 <i>Financial Instruments: Recognition and Measurement</i> or SLFRS 9 <i>Financial Instruments</i> . <u>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 LKAS 32 <i>Financial Instruments: Presentation</i>.</u>
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SLFRS 13 – Appendix C

C4	<u>Annual Improvements to SLFRSs 2014</u> issued in September 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 <u>disclose that fact.</u>
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