

*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 annual improvements to Sri Lanka Accounting Standards 2015 and disclosure initiatives (amendments to LKAS 1), 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 January Two Thousand sixteen.

By Order of the Council,

ARUNA ALWIS,  
Secretary

The Institute of Chartered Accountants of Sri Lanka,  
No. 30A,  
Malalasekera Mawatha,  
Colombo 07.  
26<sup>th</sup> November, 2015.



## Annual Improvements to SLFRSs 2015

### CONTENTS

#### STANDARDS ADDRESSED

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

SLFRS 7 *Financial Instruments: Disclosures*

LKAS 19 *Employee Benefits*

LKAS 34 *Interim Financial Reporting*

#### Standards addressed

The following table shows the topics addressed by these amendments.

Standard	Subject of amendment
SLFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Changes in methods of disposal.
SLFRS 7 <i>Financial Instruments: Disclosures</i>	Servicing contracts.
	Applicability of the amendments to SLFRS 7 to condensed interim financial statements.
LKAS 19 <i>Employee Benefits</i>	Discount rate: regional market issue.
LKAS 34 <i>Interim Financial Reporting</i>	Disclosure of information 'elsewhere in the interim financial report'.

## Amendments to SLFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Paragraphs 26–29 and their related heading are amended and paragraphs 26A and 44L are added. New text is underlined.

### Changes to a plan of sale or to a plan of distribution to owners

- 26 If an entity has classified an asset (or disposal group) as held for sale or as held for distribution to owners, but the criteria in paragraphs 7–9 (for held for sale) or in paragraph 12A (for held for distribution to owners) are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale or held for distribution to owners (respectively). In such cases an entity shall follow the guidance in paragraphs 27–29 to account for this change except when paragraph 26A applies.
- 26A** If an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution to owners, or directly from being held for distribution to owners to being held for sale, then the change in classification is considered a continuation of the original plan of disposal. The entity:
- (a) shall not follow the guidance in paragraphs 27–29 to account for this change. The entity shall apply the classification, presentation and measurement requirements in this SLFRS that are applicable to the new method of disposal.
  - (b) shall measure the non-current asset (or disposal group) by following the requirements in paragraph 15 (if reclassified as held for sale) or 15A (if reclassified as held for distribution to owners) and recognise any reduction or increase in the fair value less costs to sell/costs to distribute of the non-current asset (or disposal group) by following the requirements in paragraphs 20–25.
  - (c) shall not change the date of classification in accordance with paragraphs 8 and 12A. This does not preclude an extension of the period required to complete a sale or a distribution to owners if the conditions in paragraph 9 are met.
- 27 The entity shall measure a non-current asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners (or ceases to be included in a disposal group classified as held for sale or as held for distribution to owners) at the lower of:
- (a) its carrying amount before the asset (or disposal group) was classified as held for sale or as held for distribution to owners, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale or as held for distribution to owners, and
  - (b) its *recoverable amount* at the date of the subsequent decision not to sell or distribute. [footnote omitted]
- 28 The entity shall include any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale or as held for distribution to owners in profit or loss [footnote omitted] from continuing operations in the period in which the criteria in paragraphs 7–9 or 12A, respectively, are no longer met. Financial statements for the periods since classification as held for sale or as held for distribution to owners shall be amended accordingly if the disposal group or non-current asset that ceases to be classified as held for sale or as held for distribution to owners is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. The entity shall present that adjustment in the same caption in the statement of comprehensive income used to present a gain or loss, if any, recognised in accordance with paragraph 37.

- 29 If an entity removes an individual asset or liability from a disposal group classified as held for sale, the remaining assets and liabilities of the disposal group to be sold shall continue to be measured as a group only if the group meets the criteria in paragraphs 7–9. If an entity removes an individual asset or liability from a disposal group classified as held for distribution to owners, the remaining assets and liabilities of the disposal group to be distributed shall continue to be measured as a group only if the group meets the criteria in paragraph 12A. Otherwise, the remaining non-current assets of the group that individually meet the criteria to be classified as held for sale (or as held for distribution to owners) shall be measured individually at the lower of their carrying amounts and fair values less costs to sell (or costs to distribute) at that date. Any non-current assets that do not meet the criteria for held for sale shall cease to be classified as held for sale in accordance with paragraph 26. Any non-current assets that do not meet the criteria for held for distribution to owners shall cease to be classified as held for distribution to owners in accordance with paragraph 26.

...

#### Effective date

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...

- 44L Annual Improvements to SLFRSs 2015, 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.

#### Amendments to SLFRS 7 *Financial Instruments: Disclosures*

Paragraph 44R is amended and paragraph 44AA is added. Deleted text is struck through and new text is underlined.
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#### Effective date and transition

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- 44R *Disclosures—Offsetting Financial Assets and Financial Liabilities* (Amendments to SLFRS 7), added paragraphs 13A–13F and B40–B53. An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. An entity shall provide the disclosures required by those amendments retrospectively.

...

- 44AA Annual Improvements to SLFRSs 2015, amended paragraphs 44R and B30 and added paragraph B30A. 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 2016, except that an entity need not apply the amendments to paragraphs B30 and B30A for any period presented that begins before the annual period for which the entity first applies those amendments. Earlier application of the amendments to paragraphs 44R, B30 and B30A is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

In Appendix B, paragraph B30 is amended and paragraph B30A is added. New text is underlined.
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#### Continuing involvement (paragraph 42C)

...

**B30** An entity does not have a continuing involvement in a transferred financial asset if, as part of the transfer, it neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires any new contractual rights or obligations relating to the transferred financial asset. An entity does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future. The term ‘payment’ in this context does not include cash flows of the transferred financial asset that an entity collects and is required to remit to the transferee.

**B30A** When an entity transfers a financial asset, the entity may retain the right to service that financial asset for a fee that is included in, for example, a servicing contract. The entity assesses the servicing contract in accordance with the guidance in paragraphs 42C and B30 to decide whether the entity has continuing involvement as a result of the servicing contract for the purposes of the disclosure requirements. For example, a servicer will have continuing involvement in the transferred financial asset for the purposes of the disclosure requirements if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset. Similarly, a servicer has continuing involvement for the purposes of the disclosure requirements if a fixed fee would not be paid in full because of non-performance of the transferred financial asset. In these examples, the servicer has an interest in the future performance of the transferred financial asset. This assessment is independent of whether the fee to be received is expected to compensate the entity adequately for performing the servicing.

## Consequential amendment to SLFRS 1 *First-time Adoption of Sri Lanka Accounting Standards*

Paragraph 39AA is added. New text is underlined.

### Effective date

...

**39AA** Annual Improvements to SLFRSs 2015, added paragraph E4A. An entity shall apply that amendment for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

In Appendix E, paragraph E4A is added. New text is underlined.

### Disclosures about financial instruments

...

**E4A** A first-time adopter may apply the transition provisions in paragraph 44AA of SLFRS 7.

## Amendment to LKAS 19 *Employee Benefits*

Paragraph 83 is amended and paragraphs 176–177 are added. Deleted text is struck through and new text is underlined.

#### Actuarial assumptions: discount rate

- 83 The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In For countries currencies where for which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

...

#### Transition and effective date

...

- 176 Annual Improvements to SLFRSs 2015, amended paragraph 83 and added paragraph 177. An entity shall apply that amendment for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.
- 177 An entity shall apply the amendment in paragraph 176 from the beginning of the earliest comparative period presented in the first financial statements in which the entity applies the amendment. Any initial adjustment arising from the application of the amendment shall be recognised in retained earnings at the beginning of that period.

#### Amendment to LKAS 34 *Interim Financial Reporting*

Paragraph 16A is amended and paragraph 56 is added. Deleted text is struck through and new text is underlined.

#### Other disclosures

- 16A In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements, if not disclosed or elsewhere in the interim financial report. The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete. The information shall normally be reported on a financial year-to-date basis.
- (a) ...

#### Effective date

...

- 56 Annual Improvements to SLFRSs 2015, amended paragraph 16A. An entity shall apply that amendment retrospectively in accordance with LKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

**Disclosure Initiative**  
**(Amendments to LKAS 1)**

**CONTENTS**

**AMENDMENTS TO LKAS 1**

**PRESENTATION OF FINANCIAL STATEMENTS**

**CONSEQUENTIAL AMENDMENTS TO THE GUIDANCE ON IMPLEMENTING  
OTHER STANDARDS**

## **Amendments to LKAS 1 Presentation of Financial Statements**

Paragraphs 10, 31, 54–55, 82A, 85, 113–114, 117, 119 and 122 are amended, paragraphs 30A, 55A, 85A–85B and 139P are added and paragraphs 115 and 120 are deleted. Paragraphs 29–30, 112, 116, 118 and 121 have not been amended but are included for ease of reference. Deleted text is struck through and new text is underlined.

### **Complete set of financial statements**

#### **10 A complete set of financial statements comprises:**

- (a) a statement of financial position as at the end of the period;
- (b) a statement of profit or loss and other comprehensive income for the period;
- (c) a statement of changes in equity for the period;
- (d) a statement of cash flows for the period;
- (e) notes, comprising a summary of significant accounting policies and other explanatory information;
- (ea) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- (f) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A–40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title ‘statement of comprehensive income’ instead of ‘statement of profit or loss and other comprehensive income’.

...

### **Materiality and aggregation**

#### **29 An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.**

30 Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items in the financial statements. If a line item is not individually material, it is aggregated with other items either in those statements or in the notes. An item that is not sufficiently material to warrant separate presentation in those statements may warrant separate presentation in the notes.

30A When applying this and other SLFRSs an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

31 Some SLFRSs specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an SLFRS if the information resulting from that disclosure is not material. This is the case even if the SLFRS contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in SLFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance.

...



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

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

(a) ...

55 An entity shall present additional line items (including by disaggregating the line items listed in paragraph 54), headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.

55A When an entity presents subtotals in accordance with paragraph 55, those subtotals shall:

- (a) be comprised of line items made up of amounts recognised and measured in accordance with SLFRS;
- (b) be presented and labelled in a manner that makes the line items the constitute the subtotal clear and understandable;
- (c) be consistent from period to period, in accordance with paragraph 45; and
- (d) not be displayed with more prominence than the sub totals and totals required in SLFRS for the statement of financial position.

...

**Information to be presented in the other comprehensive income section**

82A ~~The other comprehensive income section shall present line items for the amounts of other comprehensive income in the period, classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped into those that, in accordance with other SLFRSs for the period of:~~

- (a) items of other comprehensive income (excluding amounts in paragraph (b)), classified by nature and grouped into those that, in accordance with other SLFRSs:
  - (a)(i) will not be reclassified subsequently to profit or loss; and
  - (b)(ii) will be reclassified subsequently to profit or loss when specific conditions are met.
- (b) the share of the other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that, in accordance with other SLFRSs:
  - (i) will not be reclassified subsequently to profit or loss; and
  - (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

...

85 An entity shall present additional line items (including by disaggregating the line items listed in paragraph 82), headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income when such presentation is relevant to an understanding of the entity's financial performance.

85A When an entity presents subtotals in accordance with paragraph 85, those subtotals shall:

- (a) be comprised of line items made up of amounts recognised and measured in accordance with SLFRS;

- (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;
- (c) be consistent from period to period, in accordance with paragraph 45; and
- (d) not be displayed with more prominence than the subtotals and totals required in SLFRS for the statement(s) presenting profit or loss and other comprehensive income.

85B An entity shall present the line items in the statement(s) presenting profit or loss and other comprehensive income that reconcile any subtotals presented in accordance with paragraph 85 with the subtotals or totals required in SLFRS for such statement(s).

...

#### Structure

112 The notes shall:

- (a) **present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 117–124;**
- (b) **disclose the information required by SLFRSs that is not presented elsewhere in the financial statements; and**
- (c) **provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.**

113 **An entity shall, as far as practicable, present notes in a systematic manner. In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements. An entity shall cross-reference each item in the statements of financial position and in the statement(s) of profit or loss and other comprehensive income, and in the statements of changes in equity and of cash flows to any related information in the notes.**

114 ~~An entity normally presents notes in the following order, to assist users to understand the financial statements and to compare them with financial statements of other entities: Examples of systematic ordering or grouping of the notes include:~~

- (a) giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular operating activities;
- (b) grouping together information about items measured similarly such as assets measured at fair value; or
- (c) following the order of the line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position, such as:
  - ~~(a)~~(i) statement of compliance with SLFRSs (see paragraph 16);
  - ~~(b)~~(ii) ~~summary of~~ significant accounting policies applied (see paragraph 117);
  - ~~(c)~~(iii) supporting information for items presented in the statements of financial position and in the statement(s) of profit or loss and other comprehensive income, and in the statements of changes in equity and of cash flows, in the order in which each statement and each line item is presented; and

(d)(iv) other disclosures, including:

(i) contingent liabilities (see LKAS 37) and unrecognized contractual commitments; and

(ii) non-financial disclosures, eg the entity's financial risk management objectives and policies (see SLFRS 7).

115 ~~[Deleted] In some circumstances, it may be necessary or desirable to vary the order of specific items within the notes. For example, an entity may combine information on changes in fair value recognised in profit or loss with information on maturities of financial instruments, although the former disclosures relate to the statement(s) presenting profit or loss and other comprehensive income and the latter relate to the statement of financial position. Nevertheless, an entity retains a systematic structure for the notes as far as practicable.~~

116 An entity may present notes providing information about the basis of preparation of the financial statements and specific accounting policies as a separate section of the financial statements.

#### Disclosure of accounting policies

117 **An entity shall disclose in the summary of its significant accounting policies comprising:**

(a) the measurement basis (or bases) used in preparing the financial statements; and

(b) the other accounting policies used that are relevant to an understanding of the financial statements.

118 It is important for an entity to inform users of the measurement basis or bases used in the financial statements (for example, historical cost, current cost, net realisable value, fair value or recoverable amount) because the basis on which an entity prepares the financial statements significantly affects users' analysis. When an entity uses more than one measurement basis in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.

119 In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position. Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in SLFRSs. An example is disclosure of whether an entity applies the fair value or cost model to its investment property (see LKAS 40 *Investment Property*). Some SLFRSs specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, LKAS 16 requires disclosure of the measurement bases used for classes of property, plant and equipment.

120 ~~[Deleted] Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. For example, users would expect an entity subject to income taxes to disclose its accounting policies for income taxes, including those applicable to deferred tax liabilities and assets. When an entity has significant foreign operations or transactions in foreign currencies, users would expect disclosure of accounting policies for the recognition of foreign exchange gains and losses.~~

121 An accounting policy may be significant because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by SLFRSs but the entity selects and applies in accordance with LKAS 8.

**122** An entity shall disclose, ~~in the summary of~~ along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

...

## Transition and effective date

...

**139P** Disclosure Initiative (Amendments to LKAS 1), amended paragraphs 10, 31, 54–55, 82A, 85, 113–114, 117, 119 and 122, added paragraphs 30A, 55A and 85A–85B and deleted paragraphs 115 and 120. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. Entities are not required to disclose the information required by paragraphs 28–30 of LKAS 8 in relation to these amendments.

## Consequential amendments to other Standards

### *SLFRS 7 Financial Instruments: Disclosures*

Paragraph 21 is amended and paragraph 44BB is added. Deleted text is struck through and new text is underlined.

#### Accounting policies

**21** In accordance with paragraph 117 of LKAS 1 *Presentation of Financial Statements* (as revised in 2007), an entity discloses, ~~in the summary of its~~ significant accounting policies, comprising the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.

...

#### Effective date and transition

...

**44BB** Disclosure Initiative (Amendments to LKAS 1), amended paragraphs 21 and B5. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application of those amendments is permitted.

In Appendix B, paragraph B5 is amended. Deleted text is struck through and new text is underlined.

#### Other disclosure – accounting policies (paragraph 21)

**B5** Paragraph 21 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. For financial instruments, such disclosure may include:

(a) ...

Paragraph 122 of LKAS 1 also requires entities to disclose, ~~in the summary of~~ along with its significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

## **LKAS 34 Interim Financial Reporting**

Paragraph 5 is amended and paragraph 57 is added. Deleted text is struck through and new text is underlined.

### **Content of an interim financial report**

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5 LKAS 1 defines a complete set of financial statements as including the following components:

...

(e) notes, comprising a summary of significant accounting policies and other explanatory information;

...

### **Effective date**

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...

57 Disclosure Initiative (Amendments to LKAS 1), amended paragraph 5. An entity shall apply that amendment for annual periods beginning on or after 1 January 2016. Earlier application of that amendment is permitted.