

IFRS APPLICATION AROUND THE WORLD

JURISDICTIONAL PROFILE: **Sri Lanka**



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This Profile provides information about the application of IFRS Standards in Sri Lanka. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to a survey that the Foundation conducted on the application of IFRS Standards around the world between August and December 2012. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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RELEVANT JURISDICTIONAL AUTHORITY

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| Organisation(s) | The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) |
| Role of the organisation(s) | CA Sri Lanka is the official standard-setting body in Sri Lanka. CA Sri Lanka is empowered with the sole authority to formulate accounting standards in Sri Lanka under Sri Lanka Accounting and Auditing Standards Act No: 15 of 1995. |
| Website | http://www.casrilanka.com |
| Email contact | technical@casrilanka.org |

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

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| Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards? | Yes. |
| Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards? | Yes. |

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| What is the jurisdiction's status of adoption? | Sri Lanka has already adopted IFRS Standards and the IFRS for SMEs Standard for all companies. Those standards became operative for financial statements for periods beginning on or after 1 January 2012. |
| Additional comments provided on the adoption status? | Sri Lanka has adopted Sri Lanka Financial Reporting Standards, which are nearly identical to IFRS Standards. Sri Lanka made some modifications in adopting several IFRS Standards. |
| If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction. | Not applicable. |

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

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| Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements? | All domestic companies whose securities trade in a public market are required to use Sri Lanka Financial Reporting Standards (SLFRS) which are nearly identical to IFRS Standards. Modifications to IFRS Standards are explained here . |
| If YES, are IFRS Standards REQUIRED or PERMITTED? | Required. |
| Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones? | All. |
| Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market? | Yes. |
| For instance, are IFRS Standards required or permitted Standards in separate company financial statements of companies whose securities trade in a public market? | Required. |

For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?

The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 defines a class of companies as Specified Business Enterprises (SBEs). SBEs include:

1. Companies listed on a stock exchange.
2. Banks.
3. Insurance companies.
4. Factoring companies.
5. Finance companies.
6. Leasing companies.
7. Unit trusts.
8. Fund management companies.
9. Stockbrokers and stock dealers.
10. Stock exchanges.
11. Public corporations engaged in the sale of goods or the provision of services.
12. Non-listed companies that have;
 - annual turnover in excess of LKR 500 million;
 - shareholders' equity in excess of LKR 100 million;
 - gross assets in excess of LKR 300 million;
 - liabilities to banks and other financial institutions in excess of LKR 100 million;
 - staff in excess of 1,000 persons.

All SBEs (other than those in item 12 above) are required to use full SLFRS even if their securities do not trade in a public market. The companies listed under the item no: 12 have the option to apply full SLFRSs or the SLFRS for SMEs.

Other than the above SBEs, companies are given the option to adopt full SLFRSs or the SLFRS for SMEs.

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future?

Not applicable.

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements?

All foreign companies whose securities trade in a public market are required to use SLFRS in their consolidated financial statements.

If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?

Required.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies?

SLFRS that are adopted by CA Sri Lanka and gazetted by legislation. These are IFRS Standards with several modifications [explained here](#).

The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:

Sri Lanka Financial Reporting Standards.

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| Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)? | No. |
| Are IFRS Standards incorporated into law or regulations? | Indirectly. |
| If yes, how does that process work? | The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 requires all companies to comply with accounting standards established by CA Sri Lanka. Sri Lanka Financial Reporting Standards adopted by CA Sri Lanka are the 2011 version of IFRS Standards with modifications explained here . |
| If no, how do IFRS Standards become a requirement in the jurisdiction? | Not applicable. |
| Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place? | Yes. |
| If yes, what is the process? | <p>CA Sri Lanka exposes for public comment all exposure drafts of new or amended IFRS Standards and draft interpretations. CA Sri Lanka also conducts CFOs' round table discussions to identify the impact of the proposed standard in Sri Lanka. Afterwards, CA Sri Lanka forwards its views to the IASB Board.</p> <p>When the IASB Board issues a final IFRS Standard or Interpretation, CA Sri Lanka reviews the IFRS Standard and related technical materials. In a few cases this review has resulted in modification or deferral of the standard for use in Sri Lanka.</p> <p>Thereafter, the standard is translated into Sinhala and Tamil and published in the <i>Extra Ordinary Gazette</i> as required by the Accounting and Auditing Standards Act No: 15 of 1995 in Sri Lanka. Once gazetted, the standard becomes legally authoritative.</p> |
| If no, how do new or amended IFRS Standards become a requirement in the jurisdiction? | Not applicable. |
| Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards? | <p>Yes.</p> <p>Sri Lanka Financial Reporting Standards comprise not only IAS Standards, IFRS Standards, and IFRIC and SIC Interpretations, but also:</p> <ul style="list-style-type: none"> • Statements of Recommended Practices (SoRPs, which address accounting for common control combinations and reporting by not-for-profit organisations); • Statements of Alternate Treatment (SoATs); and • Financial Reporting Guidelines issued by the Institute. <p>In adopting IFRS 7 <i>Financial Instruments: Disclosures</i> as Sri Lanka Financial Reporting Standard (SLFRS) 7, Sri Lanka did not require comparative information for periods beginning before 1 January 2013. IFRS 7 would require such information. This was transitional relief rather than a modification of IFRS 7.</p> <p>Sri Lanka has adopted an alternative treatment with respect to some right of use land on lease.</p> <p>Sri Lanka has adopted an alternative treatment with respect to accounting for a new 'super gain tax' that is required by Sri Lankan law but that is inconsistent with paragraph 46 of IAS 12 <i>Income Taxes</i>.</p> |

If yes, what are the changes? Not applicable.

Other comments regarding the use of IFRS Standards in the jurisdiction? None.

TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language? Yes. Sri Lanka Financial Reporting Standards are translated into both Sinhala and Tamil languages. Thereafter, those two versions along with English are gazetted and published.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS? The translation process ensures the on-going translation of the continuous updates to IFRS.

APPLICATION OF THE IFRS FOR SMEs STANDARD

Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs? Yes. Sri Lanka has adopted the IFRS for SMEs Standard as the SLFRS for SMEs.

If no, is the adoption of the IFRS for SMEs Standard under consideration? Not applicable.

Did the jurisdiction make any modifications to the IFRS for SMEs Standard? No.

If the jurisdiction has made any modifications, what are those modifications? Sri Lanka Statement of Alternative Treatment No 2 had added a revaluation option for property, plant and equipment that was not originally in the IFRS for SMEs Standard, but such an option was added to the IFRS for SMEs Standard in 2015.

Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so? Specified Business Enterprises (SBEs) above a defined size threshold (see item 12 [above](#)) and non SBEs are permitted to apply the SLFRS for SMEs Standard.

For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use? SMEs may use SLFRSs instead of the SLFRS for SMEs.

Other comments regarding use of the IFRS for SMEs Standard? None.