



JURISDICTIONAL PROFILE: Sri Lanka

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

The Foundation has prepared this Profile based on information from various sources. The starting point was the answers provided by standard-setting and other bodies in response to surveys the Foundation conducted on the application of the Standards around the world. The Foundation drafted the profile and invited the respondents to the survey. The Foundation also invited others (including regulators and international audit firms) to review the drafts. Their comments are reflected in this Profile.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisation	The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
Role of the organisation	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	https://www.casrilanka.com
Email contact	technical@casrilanka.org

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
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Has the jurisdiction made a public commitment towards IFRS Accounting Standards as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	Sri Lanka has adopted IFRS Standards and permits the use of the <i>IFRS for SMEs</i> Standard. These 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 IFRS Standards with effect from 1 January 2012. In 2015 Sri Lanka modified paragraph 69(d) of IAS 1 <i>Presentation of Financial Statements</i> , in the Current liabilities section.
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Accounting Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Accounting 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:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Accounting Standards in their consolidated financial statements?	<p>All domestic companies whose securities trade on the main public markets are required to use Sri Lanka Accounting Standards (SLFRS and LKAS), which are converged with IFRS Standards. Modifications to IFRS Standards are explained in the IFRS Endorsement section of this profile.</p> <p>Small and medium-sized companies listed on the Empower Board of the Colombo Stock Exchange (CSE) are permitted to apply the SLFRS for SMEs Standard for three consecutive financial periods after the date of listing, with some additional disclosures per SLFRS 15, SLFRS 9 and SLFRS 13.</p>
If YES, are IFRS Accounting Standards REQUIRED or PERMITTED?	Required on the main public markets.
Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	For all companies other than companies listed on the Empower Board of the CSE, as explained above.
Are IFRS Accounting Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?	Yes. However, companies listed on the Empower Board of the CSE are permitted to apply SLFRS for SMEs for three consecutive financial periods after the date of listing to the Board, with some additional disclosures per SLFRS 15, SLFRS 9 and SLFRS 13.
For instance, are IFRS Accounting Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?	Required.
For instance, are IFRS Accounting Standards required or permitted for companies whose securities do not trade in a public market?	It is mandatory to apply Sri Lanka Accounting Standards for the Specified Business Enterprises (SBEs) defined in the Sri Lanka Accounting and Auditing Standards Act. However, the SBEs defined under the threshold category are permitted to follow the SLFRS for SME Standard.

For all entities, per the Inland Revenue Act, No 17 of 2017, the timing of inclusion or deductions in calculating a person's income shall be made according to Sri Lanka Accounting Standards framework being followed, unless otherwise mentioned in the Act.

Any entity which meets the definition of a smaller entity per SLFRS for Smaller entities is permitted to apply that Standard.

If the jurisdiction currently does NOT require or permit the use of IFRS Accounting Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Accounting 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 Accounting 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. As of June 2021, no foreign company's debt or equity securities are listed on the CSE.

If YES, are IFRS Accounting 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 Accounting Standards are required or permitted for domestic companies?

SLFRS that are adopted by CA Sri Lanka and gazetted by legislation.

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

Sri Lanka Accounting Standards.

Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Accounting Standards and the jurisdiction's GAAP)?

Not applicable.

Are IFRS Accounting Standards incorporated into law or regulations?

Yes.

If yes, how does that process work?

Sri Lanka Accounting Standards are part of the law following publication in the official gazette under the Sri Lanka Accounting and Auditing Standards Act.

If no, how do IFRS Accounting Standards become a requirement in the jurisdiction?

Not applicable.

Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or

Yes.

amended IFRS Accounting Standards (including Interpretations) in place?

If yes, what is the process?

When the Board issues an amendment, Standard or Interpretation, the Accounting Standards Committee (ASC) reviews the principles and amendments and recommends adoption to the Council of CA Sri Lanka.

Standards are translated into Sinhala and Tamil and published in the *Extra Ordinary Gazette* as required by the Accounting and Auditing Standards Act, No 15 of 1995. Once gazetted, the standard has legal authority.

If no, how do new or amended IFRS Accounting Standards become a requirement in the jurisdiction?

Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Accounting Standards and/or made any modifications to any IFRS Accounting Standards?

The jurisdiction has modified paragraph 69(d) of IAS 1.

Guidance Notes on *Accounting for Consideration of the COVID 19 Outbreak* was issued in May 2020. The temporary practical expedients stated in the guidelines for the interim reporting and the financial reporting period ended on 31 March 2020 because of a lack of information, and the one-time option for reclassification of equity investments is no longer applicable.

If yes, what are the changes?

Not applicable.

Other comments regarding the use of IFRS Accounting Standards in the jurisdiction?

None.

TRANSLATION OF IFRS ACCOUNTING STANDARDS

Are IFRS Accounting Standards translated into the local language?

Yes. Sri Lanka Accounting Standards are translated into Sinhala and Tamil.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Accounting Standards?

The translation process ensures the ongoing translation of the continuous updates to IFRS Standards.

APPLICATION OF THE IFRS FOR SMEs ACCOUNTING STANDARD

Has the jurisdiction adopted the *IFRS for SMEs* Accounting 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* Accounting Standard under consideration?

Not applicable.

Did the jurisdiction make any modifications to the *IFRS for SMEs* Accounting Standard?

Yes.

If the jurisdiction has made any modifications, what are those modifications?

The companies listed on the Empower Board of CSE are permitted to apply SLFRS for SMEs for three consecutive financial periods after the date of listing, with some additional disclosures per SLFRS 15, SLFRS 9 and SLFRS 13.

Which SMEs use the *IFRS for SMEs* Accounting Standard in the jurisdiction, and are they required or permitted to do so?

Section 1.1 and 1.2 of SLFRS for SMEs sets out the scope on the SMEs which can apply the SLFRS for SMEs standard.

For those SMEs that are not required to use the *IFRS for SMEs* Accounting Standard, what other accounting framework do they use?

The following entities are eligible to apply SLFRS for Smaller Entities:

- an entity that had revenue in excess of 100m rupees in the reporting period;
- an entity that had equity in excess of 50m rupees at the end of the previous reporting period;
- a company that is required to prepare group financial statements by the law relating to companies; and
- an entity that holds assets in a fiduciary capacity as one of its primary business.

Other comments regarding use of the *IFRS for SMEs* Accounting Standard?

None.