PLAIN LANGUAGE ACCOUNTING REFERENCE

Sri Lanka Accounting Standards and Interpretations

Summary notes with practical examples and source references

Prepared on 10 October 2026

What this guide helps you do

Use this guide to identify the standard relevant to a transaction, understand its main accounting treatment and recognise the questions that need further work. Each standard has a plain language explanation, a simple example, a practical check and a link to the official text.

Coverage includes all 41 distinct SLFRS and LKAS standards on the supplied 2017 page, the Conceptual Framework, later SLFRS 9 and 15–17, separate outlook notes for SLFRS 18 and 19, and all 20 IFRIC and SIC interpretations listed on SLAASC's linked interpretations page. The duplicate LKAS 2 entry is summarised once.

Read the status before applying a rule

The supplied page is a historical collection, not a complete statement of requirements for a 2026 reporting period. This guide uses the linked 2025 collection and selected later official notices to explain major replacements. Historical and forthcoming standards are labelled. It is a learning reference, not an exhaustive register of every amendment effective at the preparation date.

For an actual set of accounts, confirm the entity's reporting framework, the beginning date of its reporting period, the latest locally adopted text, transition provisions and applicable Sri Lankan rulings. The examples are hypothetical and simplified; amounts are in Sri Lankan rupees unless stated otherwise.

Reading route

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SLFRS and LKAS summaries	Pages 4–15 • 47 standards including historical and outlook entries
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Click the contents rows, standard references or PDF bookmarks to navigate.

Official text links open the source documents; paragraph pointers identify relevant sections.

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Understanding the reporting framework

SLFRS and LKAS are both Sri Lanka Accounting Standards. SLFRS corresponds to the IFRS series; LKAS corresponds to the IAS series. IFRIC and SIC interpretations explain particular application issues. They must be read with the applicable standards and local pronouncements. [S2]

Full standards are the focus here. SLFRS for SMEs, SLFRS for Smaller Entities, public sector accounting standards, sustainability disclosure standards, and individual SoRPs, SoATs and local rulings are separate collections. They are not summarised section by section in this guide. Eligibility for a simpler framework must be assessed; a private company does not automatically qualify. [S2]

The Conceptual Framework

The Framework explains the purpose of financial reporting and the concepts behind the standards. It supports policy development where no standard directly applies, but it does not override an explicit standard. Useful information should be relevant and faithfully represent the underlying economics; comparability, verifiability, timeliness and understandability help users. [S6]

An asset is a present economic resource controlled because of past events. A liability is a present obligation to transfer an economic resource because of past events. Equity is the residual interest after liabilities. Income and expenses change equity other than through owner contributions or distributions. Recognition and measurement require more analysis than simply identifying an item. [S6]

For example, paying for staff training does not automatically create an asset: the business may be unable to control the future economic resource in the way needed for recognition. Apply the relevant standard before relying on the Framework.

Four questions for any transaction

Question	What to decide
Recognition	Should an asset, liability, income or expense be recorded, and when?
Measurement	What amount should be recorded initially and later?
Presentation	Where should the amount appear in the financial statements?
Disclosure	What explanation, assumptions and risk information belong in the notes?

How to use the source references

The paragraph pointers beneath each standard are starting points, not a complete checklist. The official text links open the source PDF. Some PDFs in the website collections retain older cross references; apply subsequent amendments and replacements. Interpretation titles may use IAS or IFRS terminology because the site publishes the international texts.

Finding the right standard

Accounting topic	Start with
Financial statements and policies	LKAS 1, 7, 8 and 10; plan for SLFRS 18
Sales and customer contracts	SLFRS 15
Stock and production	LKAS 2; LKAS 23 for qualifying borrowing costs
Machines buildings software and impairment	LKAS 16, 36, 38 and 40; SLFRS 5 and 13
Loans receivables investments and guarantees	SLFRS 9 and 7; LKAS 32; retained LKAS 39 rules
Leased premises and equipment	SLFRS 16
Income taxes and uncertain tax positions	LKAS 12, IFRIC 23 and SIC 25
Staff benefits and share awards	LKAS 19 and SLFRS 2
Provisions legal claims and levies	LKAS 37; IFRIC 1, 5, 6 and 21 where applicable
Groups associates and joint arrangements	SLFRS 3, 10, 11 and 12; LKAS 27 and 28
Foreign currency and overseas operations	LKAS 21 and 29; IFRIC 7, 16 and 22
Specialised activities	SLFRS 6, 14 and 17; LKAS 26 and 41

Major replacements to remember

Earlier requirement	Later requirement
LKAS 11 and LKAS 18	SLFRS 15 replaces the former customer revenue models.
LKAS 17	SLFRS 16 changes lessee accounting substantially.
Most of LKAS 39	SLFRS 9; specified hedge accounting provisions remain relevant.
SLFRS 4	SLFRS 17 on application; local start is annual periods beginning on or after 1 January 2026. [S5]
LKAS 1	SLFRS 18 on application; annual periods beginning on or after 1 January 2027, with early application permitted. [S7]

SLFRS summaries 1 to 4

SLFRS 1 First time Adoption of Sri Lanka Accounting Standards

Core summary. Applies when an entity first makes an explicit, unreserved statement that its financial statements comply with full SLFRSs. Prepare an opening statement of financial position at the transition date. Apply the required policies retrospectively, subject to mandatory exceptions and optional exemptions.

Example. A company moving from another framework may elect permitted deemed cost for certain assets instead of rebuilding every historical cost record.

Practical check. Reconcile previous equity and total comprehensive income to SLFRSs. First adoption is more than changing note wording.

Read: 6–11 and 23–25; Appendices B–E. Official text

SLFRS 2 Share based Payment

Core summary. Recognise goods or services received in exchange for shares, options or amounts linked to share prices. Employee equity awards normally use grant date fair value and are recognised over the vesting period. Cash settled awards create a liability remeasured at each reporting date.

Example. An employee earns share options by working for three years. The related service cost is normally spread over those three years.

Practical check. Assess vesting conditions, modifications and whether settlement is in equity or cash. Share awards are not free services.

Read: 7–15 and 30–33. Official text

SLFRS 3 Business Combinations

Core summary. When control of a business is acquired, use the acquisition method. Identify the acquirer and acquisition date, recognise identifiable assets and liabilities generally at fair value, and calculate goodwill. A bargain purchase gain is recognised only after reassessment. Acquisition related advisory fees are generally expensed.

Example. A buyer pays LKR 15 million for a business with identifiable net assets of LKR 12 million. With no other adjustments, goodwill is LKR 3 million.

Practical check. Check that the acquired set is a business. Common control combinations fall outside this standard.

Read: 4–7, 10–19, 32–36 and 53. Official text

SLFRS 4 Insurance Contracts

Historical requirement. Historical standard retained to explain the supplied collection. It allowed many existing insurance accounting policies to continue, with safeguards such as liability adequacy testing and limits on offsetting. It also required disclosure of insurance risks.

Example. An insurer checked whether recorded insurance liabilities were sufficient using current estimates.

Practical check. SLFRS 17 replaces SLFRS 4 on application. The local notice sets SLFRS 17 for annual periods beginning on or after 1 January 2026; do not rely on an old website label saying not yet effective.

Read: 13–20 and 36–39; local effective date notice. Official text

SLFRS summaries 5 to 8

SLFRS 5 Non current Assets Held for Sale and Discontinued Operations

Core summary. Classify an asset or disposal group as held for sale only when it is available for immediate sale and sale is highly probable, normally within one year. Generally measure at the lower of carrying amount and fair value less selling costs; stop depreciation. Certain assets retain their own measurement rules.

Example. A machine carried at LKR 5 million has fair value less selling costs of LKR 4.6 million. If the classification criteria are met, recognise a LKR 0.4 million loss.

Practical check. A plan to sell is insufficient. A discontinued operation must meet the separate major business line or geographical area criteria, or another specified condition.

Read: 6–15, 25 and 32–33. Official text

SLFRS 6 Exploration for and Evaluation of Mineral Resources

Core summary. Covers mineral exploration and evaluation after legal exploration rights are obtained and before technical feasibility and commercial viability are demonstrable. Entities develop a consistent policy for qualifying expenditure and test for impairment when specified indicators arise.

Example. A mining business assesses geological survey and exploratory drilling expenditure under its documented policy.

Practical check. It is not a general permission to capitalise all mining costs. Reclassify assets when exploration and evaluation ends and assess impairment.

Read: 3–5, 8–10 and 17–22. Official text

SLFRS 7 Financial Instruments Disclosures

Core summary. Explains what readers must be told about financial instruments and their risks. Disclose their significance, credit risk, liquidity risk and market risk, including how management handles those risks. Explain expected credit losses and relevant hedging arrangements.

Example. A company provides receivable loss information, a loan maturity analysis and sensitivity to exchange rates or interest rates.

Practical check. A balance listing alone is inadequate. Link notes to SLFRS 9 measurements and LKAS 32 presentation, and check applicable amendments.

Read: 7–30 and 31–42. Official text

SLFRS 8 Operating Segments

Core summary. Primarily applies to entities with publicly traded debt or equity, or entities filing to issue such instruments. Identify segments using internal reports reviewed by the chief operating decision maker. Apply reporting thresholds and provide reconciliations and entity wide information.

Example. Management regularly reviews retail and manufacturing businesses separately; they may be operating segments.

Practical check. Segment profit can follow internal reporting measures, but reconcile these to the financial statements. Do not assume every private company must apply SLFRS 8.

Read: 2, 5–13, 20–28 and 31–34. Official text

SLFRS summaries 9 to 12

SLFRS 9 Financial Instruments

Core summary. Classify financial assets using the business model and contractual cash flows: amortised cost, fair value through other comprehensive income, or fair value through profit or loss. Recognise expected credit losses for relevant assets. Financial liabilities are generally at amortised cost, with exceptions. Hedge accounting has separate qualifying rules.

Example. A simple trade receivable is usually measured at amortised cost with a lifetime expected credit loss allowance under the applicable simplified approach.

Practical check. Use forward looking evidence; overdue balances alone do not determine losses. Read with SLFRS 7 and LKAS 32.

Read: 4.1–4.2, 5.1, 5.5 and Chapter 6. Official text

SLFRS 10 Consolidated Financial Statements

Core summary. Consolidate an investee when the investor controls it: power over relevant activities, exposure or rights to variable returns, and ability to use power to affect those returns. Combine group balances and eliminate intragroup transactions. Specific exemptions and investment entity rules apply.

Example. A parent selling inventory to a subsidiary eliminates the internal sale and unrealised profit still held in group inventory.

Practical check. Control can exist below 50 percent ownership. Review substantive rights, contractual arrangements and changes in facts.

Read: 7–8, 19–26 and B86. Official text

SLFRS 11 Joint Arrangements

Core summary. Joint control requires contractual sharing of control and unanimous consent over relevant activities. In a joint operation, recognise rights to assets and obligations for liabilities. In a joint venture, account for the interest using the equity method under LKAS 28, subject to exceptions.

Example. Two parties jointly operate equipment and are directly responsible for specified costs; each records its contractual share of assets, liabilities and results.

Practical check. A separate company does not automatically make an arrangement a joint venture. Examine the legal form, contract and other facts.

Read: 7–19 and 20–24. Official text

SLFRS 12 Disclosure of Interests in Other Entities

Core summary. Requires information about subsidiaries, joint arrangements, associates and unconsolidated structured entities. Explain significant judgements, material non controlling interests, restrictions on access to funds and relevant exposures.

Example. A group explains why it controls a company despite holding less than half of the voting rights.

Practical check. Consolidation does not remove the need to explain restrictions, support arrangements and risks. Link the notes to SLFRS 10, SLFRS 11 and LKAS 28.

Read: 7–9, 10–19 and 20–31. Official text

SLFRS summaries 13 to 16

SLFRS 13 Fair Value Measurement

Core summary. Explains how to measure fair value when another standard requires or permits it. Use a market participant exit price in an orderly transaction. Maximise observable inputs and classify measurements in a three level hierarchy. The lowest significant input determines the level.

Example. A quoted price for an identical actively traded investment is Level 1; a property valuation using significant unobservable assumptions is Level 3.

Practical check. Fair value is not necessarily the amount management hopes to receive. Disclose techniques, inputs and relevant uncertainty.

Read: 9, 61–67, 72–90 and 91–99. Official text

SLFRS 14 Regulatory Deferral Accounts

Core summary. A narrow transitional standard for eligible first time adopters that already recognised regulatory deferral balances under their previous accounting framework. It permits continuation of those policies with specified presentation and disclosure requirements.

Example. An eligible rate regulated utility may continue qualifying regulatory balances when first adopting SLFRSs.

Practical check. It is not a general standard allowing every regulated business to create regulatory assets. Confirm eligibility before using it.

Read: 5–8, 11–12 and 20–36. Official text

SLFRS 15 Revenue from Contracts with Customers

Core summary. Apply five steps: identify the contract, identify performance obligations, determine the transaction price, allocate that price, and recognise revenue as each obligation is satisfied. Revenue follows transfer of control, either over time if the criteria are met or at a point in time. Constrain uncertain variable consideration.

Example. A contract sells equipment and a distinct support service. Allocate the price using relative standalone selling prices and recognise each component when earned.

Practical check. Cash received in advance is often a contract liability. Consider modifications, principal versus agent, returns and warranties. Replaces LKAS 11 and LKAS 18.

Read: 9, 22–30, 31–38, 47–59 and 73–86. Official text

SLFRS 16 Leases

Core summary. A lessee generally recognises a right of use asset and a lease liability for a contract giving control over use of an identified asset. Measure the liability at the present value of qualifying unpaid lease payments; then recognise interest and asset depreciation. Optional exemptions cover qualifying short term and low value leases.

Example. An office lease usually creates both an asset and a liability, even though legal ownership remains with the landlord.

Practical check. Assess lease term, renewal options, discount rate and modifications. Lessors continue to distinguish finance and operating leases. Replaces LKAS 17.

Read: 9, 5–8, 22–36 and 61–66. Official text

SLFRS summaries 17 to 19

SLFRS 17 Insurance Contracts

Core summary. Measure groups of insurance contracts using current estimates of fulfilment cash flows, a risk adjustment and, where applicable, a contractual service margin representing unearned profit. Recognise profit as insurance services are provided; recognise losses on onerous groups promptly. Simplified premium allocation is available when conditions are met.

Example. Premium cash received is not automatically insurance revenue for the same period.

Practical check. Local application is for annual periods beginning on or after 1 January 2026 under the 5 December 2023 notice. Check transition and the linked SLFRS 9 requirements.

Read: 14–24, 32–38, 47–59 and 83–86; local notice. Official text

SLFRS 18 Presentation and Disclosure in Financial Statements

Forthcoming or outlook. Forthcoming presentation standard replacing LKAS 1. It introduces defined profit or loss categories and subtotals, disclosures about management defined performance measures, and improved aggregation and disaggregation. It mainly changes how performance is presented and explained.

Example. An entity using an adjusted operating profit measure in public communications assesses whether it requires a note and reconciliation.

Practical check. CA Sri Lanka identifies application from annual periods beginning on or after 1 January 2027, with early application permitted. Plan comparative information and consequential changes to other standards.

Read: CA Sri Lanka 2025 annual report note 2.8.2.5; IFRS Foundation overview. Source overview

SLFRS 19 Subsidiaries without Public Accountability Disclosures

Forthcoming or outlook. An optional reduced disclosure standard for eligible subsidiaries. Recognition, measurement and presentation continue under full standards. Eligibility includes no public accountability and a qualifying parent producing publicly available consolidated financial statements.

Example. An eligible privately held group subsidiary may reduce disclosures while retaining full standard accounting measurements.

Practical check. This is not SLFRS for SMEs and does not apply to every private company. CA Sri Lanka lists SLFRS 19 as a new standard; verify the local text and commencement before election. The IFRS counterpart starts from 1 January 2027.

Read: CA Sri Lanka standards page; IFRS 19 paragraphs 1–7 and Appendix A. Source overview

LKAS summaries 1 to 8

LKAS 1 Presentation of Financial Statements

Core summary. Sets the overall structure of financial statements: financial position, profit or loss and other comprehensive income, changes in equity, cash flows and notes, with comparatives. Apply fair presentation, going concern, accrual accounting and materiality. Assess current and non current classification using the applicable criteria.

Example. A cash shortage may require a detailed going concern assessment and disclosure; the entity cannot simply assume continuation without considering evidence.

Practical check. Disclose material accounting policy information and significant judgements. SLFRS 18 replaces LKAS 1 when applied; related requirements move to other standards.

Read: 10, 15–31, 38, 54–76 and 117–133. Official text

LKAS 2 Inventories

Core summary. Measure inventory at the lower of cost and net realisable value, meaning expected selling price less completion and selling costs. Cost includes purchase, conversion and other costs bringing inventory to its present location and condition. Use specific identification where appropriate, otherwise FIFO or weighted average.

Example. Goods cost LKR 100,000 but can generate only LKR 85,000 after selling costs. Recognise a LKR 15,000 write down.

Practical check. Exclude abnormal waste and inappropriate administration or selling costs. Review obsolete stock; reverse write downs only within the permitted limit.

Read: 9–18, 23–25 and 28–34. Official text

LKAS 7 Statement of Cash Flows

Core summary. Separate cash flows into operating, investing and financing activities. Operating cash flows may use a direct or indirect method. Reconcile cash and cash equivalents and disclose relevant non cash transactions and changes in financing liabilities.

Example. Buying a machine is normally investing; receiving a bank loan is financing; customer receipts are operating.

Practical check. Profit does not equal cash. Cash equivalents must meet strict liquidity and short maturity conditions. Check supplier finance and SLFRS 18 related amendments for the period.

Read: 6–10, 18–21 and 43–48. Official text

LKAS 8 Accounting Policies Changes in Accounting Estimates and Errors

Core summary. Use the applicable standard to choose policies; where none applies, follow the prescribed judgement hierarchy. Policy changes generally apply retrospectively, subject to transition provisions and impracticability. Estimate changes apply prospectively. Material prior period errors generally require restatement.

Example. Revising a machine's remaining useful life changes future depreciation. Correcting a material omitted prior year invoice may require comparative restatement.

Practical check. Distinguish new information from a past mistake. Explain material changes and relevant issued standards not yet applied.

Read: 7–12, 14–31, 32–40 and 41–49. Official text

LKAS summaries 10 to 16

LKAS 10 Events after the Reporting Period

Core summary. Assess events between the reporting date and authorisation of the financial statements. Adjust for evidence about conditions existing at year end. Do not adjust for new conditions arising later, but disclose material non adjusting events and their financial effect where estimable.

Example. A customer's bankruptcy after year end may confirm an existing receivable loss. A later fire generally requires disclosure rather than a year end adjustment.

Practical check. Dividends declared after year end are not a year end liability. A going concern failure may change the preparation basis.

Read: 3, 8–14 and 21. Official text

LKAS 11 Construction Contracts

Historical requirement. Historical standard in the supplied collection, replaced by SLFRS 15. It recognised contract revenue and costs by stage of completion when outcomes could be estimated reliably. Expected contract losses were recognised immediately.

Example. Under the former approach, a reliably measured 40 percent completed contract generally recognised the corresponding stage of revenue and costs.

Practical check. For current contracts, assess SLFRS 15's over time criteria and use LKAS 37 for relevant onerous contract obligations. Do not assume the former percentage of completion method automatically remains valid.

Read: 22–35 and 36–37; SLFRS 15 Appendix C. Official text

LKAS 12 Income Taxes

Core summary. Recognise current tax using enacted or substantively enacted tax law. Deferred tax reflects differences between accounting carrying amounts and tax bases, subject to exceptions. Recognise deferred tax assets only to the extent the relevant recoverability conditions are met. Tax follows the underlying item into profit or loss, other comprehensive income or equity.

Example. Different tax and accounting depreciation creates a temporary difference and may produce a deferred tax liability.

Practical check. An accounting loss does not automatically justify a deferred tax asset. Check IFRIC 23, SIC 25 and applicable amendments, including special tax rules.

Read: 12–24, 34–37, 46–56 and 58–68. Official text

LKAS 16 Property Plant and Equipment

Core summary. Recognise tangible operating assets when recognition criteria are met. Initially measure qualifying cost, then use the cost or revaluation model for an entire class. Depreciate significant components separately over useful lives from when available for use.

Example. A building's lift has a shorter useful life than the structure, so separate depreciation may be needed.

Practical check. Repair costs are usually expenses; qualifying replacements may be assets. Review useful lives, residual values and methods annually. Apply LKAS 36 for impairment.

Read: 7, 15–22, 29–42 and 43–62. Official text

LKAS summaries 17 to 20

LKAS 17 Leases

Historical requirement. Historical standard replaced by SLFRS 16. Lessees and lessors distinguished finance leases, transferring substantially all risks and rewards, from operating leases. Lessees generally recognised finance leases on the balance sheet and expensed operating rentals.

Example. Previously, a lessee's ordinary office operating lease often produced rent expense without a lease asset or liability.

Practical check. Apply SLFRS 16 for present lessee accounting. Lessor accounting still retains a finance versus operating distinction, but under the new standard.

Read: 8–12, 20–27 and 33; SLFRS 16 Appendix C. Official text

LKAS 18 Revenue

Historical requirement. Historical standard replaced by SLFRS 15. Sales of goods mainly followed transfer of significant risks and rewards; services generally followed stage of completion when reliable measurement was possible. It also addressed interest, royalties and dividends.

Example. Under the former goods model, delivery and acceptance could establish when risks and rewards passed.

Practical check. Use SLFRS 15's control and performance obligation model for customer contracts. Interest and many dividends are now addressed through financial instrument requirements.

Read: 14–20 and 29–30; SLFRS 15 Appendix C. Official text

LKAS 19 Employee Benefits

Core summary. Recognise employee benefit costs as employees provide service. Defined contribution costs normally equal the contribution due. Defined benefit obligations, including relevant gratuity promises, use actuarial measurement and discounting; remeasurements go to other comprehensive income. Termination benefits have separate recognition conditions.

Example. An employer estimates a qualifying gratuity obligation using service, future salary and actuarial assumptions rather than just this year's cash payments.

Practical check. Do not equate the statutory cash amount currently payable with the accounting obligation. Distinguish short term, long term and post employment benefits.

Read: 11, 51, 57, 67, 83, 120 and 165. Official text

LKAS 20 Accounting for Government Grants and Disclosure of Government Assistance

Core summary. Recognise a grant only when there is reasonable assurance that conditions will be met and the grant received. Recognise income systematically over periods matching the related costs. Asset grants may be deferred income or deducted from the asset's carrying amount.

Example. A grant for equipment is normally recognised across the periods benefiting from the equipment, rather than automatically as income on receipt.

Practical check. Read grant conditions and repayment clauses. Disclose accounting policy, nature of assistance and unfulfilled conditions. SIC 10 addresses broader operating support.

Read: 7–12, 24–32 and 39. Official text

LKAS summaries 21 to 26

LKAS 21 The Effects of Changes in Foreign Exchange Rates

Core summary. Identify the functional currency of the primary economic environment. Initially translate foreign currency transactions at the transaction date rate. Retranslate monetary balances at the closing rate, generally taking exchange differences to profit or loss. Foreign operation translation can produce other comprehensive income.

Example. An unpaid USD supplier balance is retranslated at year end; the exchange movement usually affects profit.

Practical check. Historical cost non monetary items normally retain transaction date rates. Consider IFRIC 22 for advances and applicable lack of exchangeability requirements.

Read: 9–12, 21–23, 28 and 39–41. Official text

LKAS 23 Borrowing Costs

Core summary. Capitalise borrowing costs directly attributable to a qualifying asset that takes substantial time to prepare for use or sale. Expense other borrowing costs. Capitalisation starts only when expenditure, borrowing costs and preparation activities exist; suspend or stop it when the standard requires.

Example. Interest on qualifying factory construction may form part of asset cost during active construction.

Practical check. Not every asset purchase qualifies. General borrowings require an appropriate capitalisation rate and capitalisation ends when substantially ready.

Read: 5, 8, 12–14 and 17–25. Official text

LKAS 24 Related Party Disclosures

Core summary. Identify related people and entities through control, joint control, significant influence, key management roles and relevant family or group links. Disclose relationships, transactions, balances, commitments and key management compensation as required.

Example. A company renting premises from a director's controlled entity assesses and discloses the related party relationship and transaction.

Practical check. A transaction can require disclosure even at market prices or with no amount charged. Do not claim arm's length terms without support.

Read: 9, 13 and 17–24. Official text

LKAS 26 Accounting and Reporting by Retirement Benefit Plans

Core summary. Applies to financial reporting by retirement benefit plans themselves. Defined contribution plan reports focus on net assets available for benefits. Defined benefit plan reports also explain promised benefits and funding, using actuarial information as required.

Example. A pension fund reports its investments and assets available to pay members, together with the required benefit information.

Practical check. This is the plan's reporting standard. The sponsoring employer accounts for its employee obligations under LKAS 19.

Read: 13, 17, 28 and 32–36. Official text

LKAS summaries 27 to 32

LKAS 27 Separate Financial Statements

Core summary. Deals with investments in subsidiaries, associates and joint ventures in separate financial statements. Use cost, SLFRS 9 or the equity method as permitted, applied consistently for each category. Specific investment entity rules apply.

Example. A parent may show an investment as one line in separate accounts while consolidating the underlying assets and liabilities in group accounts.

Practical check. Separate financial statements do not replace consolidation when consolidation is required. Assess dividends and impairment under the chosen model.

Read: 10–12 and 16–17. Official text

LKAS 28 Investments in Associates and Joint Ventures

Core summary. Use the equity method for associates and joint ventures, subject to exemptions. Start with cost, then adjust for the investor's share of profit, other comprehensive income and other changes; dividends reduce the investment. Significant influence is often presumed at 20 percent voting power, but evidence can rebut this.

Example. A 30 percent associate earns LKR 1 million; the investor normally recognises LKR 300,000 before relevant adjustments.

Practical check. Align policies, eliminate relevant unrealised profits and assess impairment. Ownership percentage alone does not settle significant influence.

Read: 5–6, 10, 16 and 28–43. Official text

LKAS 29 Financial Reporting in Hyperinflationary Economies

Core summary. When an entity's functional currency is hyperinflationary, restate financial statements into the measuring unit current at period end using a general price index. Recognise the gain or loss on the net monetary position in profit or loss.

Example. Historical cost non monetary assets and equity are restated for changes in purchasing power.

Practical check. Three year cumulative inflation near or above 100 percent is an indicator, not an automatic standalone test. Assess all characteristics. IFRIC 7 explains first application.

Read: 2–9, 11–28 and 39–40. Official text

LKAS 32 Financial Instruments Presentation

Core summary. Classify issued instruments as liabilities or equity using contractual substance. A contractual cash repayment obligation generally indicates a liability. Split qualifying compound instruments into liability and equity components. Offset only when the legal right and settlement intention conditions are both met.

Example. A mandatorily redeemable preference share may be a liability despite being called a share.

Practical check. Legal form is not decisive. Treasury shares reduce equity. Use SLFRS 9 for measurement and SLFRS 7 for disclosure.

Read: 15–32, 33 and 42. Official text

LKAS summaries 33 to 37

LKAS 33 Earnings per Share

Core summary. For entities within scope, present basic and diluted earnings per share. Basic EPS uses earnings attributable to ordinary equity holders divided by weighted average ordinary shares. Diluted EPS reflects qualifying potential shares, excluding antidilutive effects.

Example. LKR 10 million attributable earnings and 2 million weighted average shares gives basic EPS of LKR 5.

Practical check. Adjust for bonus issues, share splits and relevant rights issues. Do not simply use the year end share count.

Read: 2–4, 10–20, 31–43 and 64–70. Official text

LKAS 34 Interim Financial Reporting

Core summary. Defines minimum content and measurement principles for an interim report that claims compliance. Use consistent accounting policies and year to date measurement; provide selected explanatory notes about important changes since the annual statements.

Example. A half year report explains a major acquisition or impairment rather than merely repeating last year's notes.

Practical check. The standard does not itself decide which entities must publish interim reports. Interim estimates may be more extensive, but recognition principles still apply. Read IFRIC 10.

Read: 4, 8–16A and 28–42. Official text

LKAS 36 Impairment of Assets

Core summary. An asset is impaired when carrying amount exceeds recoverable amount, the higher of value in use and fair value less disposal costs. Test when indicators exist; goodwill and specified intangible assets require annual testing. Use a cash generating unit when independent cash inflows cannot be identified.

Example. An asset carried at LKR 8 million with recoverable amount of LKR 6 million needs a LKR 2 million impairment.

Practical check. Goodwill impairment cannot be reversed. Other reversals have limits. Financial asset losses fall under SLFRS 9 rather than this standard.

Read: 9–10, 18, 22, 59–60, 80–104 and 110–124. Official text

LKAS 37 Provisions Contingent Liabilities and Contingent Assets

Core summary. Recognise a provision for a present legal or constructive obligation from a past event when an outflow is probable and a reliable estimate can be made. Discount when material. Disclose contingent liabilities unless remote; recognise contingent assets only once virtually certain.

Example. Expected warranty claims on goods already sold may require a provision based on the best estimate.

Practical check. Future operating losses do not create a provision. Assess onerous contracts and restructuring conditions. IFRIC 21 helps determine the trigger for levies.

Read: 14, 27–35, 36–47 and 63–83. Official text

LKAS summaries 38 to 41

LKAS 38 Intangible Assets

Core summary. Recognise identifiable non monetary assets without physical substance when the criteria are satisfied. Expense research. Capitalise development only after all specified conditions are met. Amortise finite life assets; test indefinite life assets annually for impairment.

Example. Software development may qualify after feasibility, resources, intended use and other criteria are demonstrated; preliminary research remains an expense.

Practical check. Internally generated goodwill, brands and customer lists generally cannot be recognised. Website expenditure requires SIC 32 analysis.

Read: 8–23, 54–67 and 88–107. Official text

LKAS 39 Financial Instruments Recognition and Measurement

Limited continuing use. Largely replaced by SLFRS 9. It remains relevant principally where an entity validly elects to continue its hedge accounting requirements or applies retained portfolio fair value hedge provisions. Its old incurred loss and asset classification model is not the general current model.

Example. An entity may continue qualifying LKAS 39 hedge accounting under an available SLFRS 9 policy election.

Practical check. Confirm exactly which retained provisions are applicable. Do not use LKAS 39's former impairment model merely because it appears on the 2017 page.

Read: Retained hedge accounting provisions; SLFRS 9 paragraph 7.2.21. Official text

LKAS 40 Investment Property

Core summary. Covers property held to earn rentals, for capital appreciation, or both. After initial cost recognition, apply the fair value or cost model as permitted. Under the fair value model, changes go to profit or loss and the property is not depreciated.

Example. A building rented to unrelated tenants may be investment property; the company's own office normally falls under LKAS 16.

Practical check. Determine actual use and assess mixed use properties. Transfers require evidence of a change in use. Fair value disclosure remains relevant under the cost model.

Read: 5–15, 30–35, 56–57 and 75–79. Official text

LKAS 41 Agriculture

Core summary. Biological assets are generally measured at fair value less selling costs, with changes in profit or loss. Agricultural produce is measured on that basis at harvest, then LKAS 2 normally applies. Bearer plants are accounted for under LKAS 16; produce growing on them remains within LKAS 41.

Example. Tea bushes meeting the bearer plant definition fall under LKAS 16, while growing tea leaves fall under LKAS 41.

Practical check. Distinguish the land, bearer plant, growing produce and harvested stock. The reliable measurement exception for biological assets is narrow.

Read: 1–5, 12–13, 26–30 and 40–57. Official text

Interpretations 1 to 4

IFRIC 1 Changes in Existing Decommissioning Restoration and Similar Liabilities

Updates an existing restoration obligation when estimated cash flows, timing or discount rates change. Under the cost model, changes generally adjust the related asset, subject to limits; unwinding the discount is a finance cost.

Example. A revised factory clean up estimate can change the asset and provision together.

Read with: LKAS 16 and LKAS 37; paragraphs 4–8. Official interpretation

IFRIC 2 Members Shares in Co operative Entities and Similar Instruments

A member's redemption right requires careful liability versus equity analysis. An unconditional right to refuse redemption, an unconditional prohibition, or specified LKAS 32 exceptions may support equity classification.

Example. Shares repayable on demand may be liabilities even when legally described as capital.

Read with: LKAS 32; paragraphs 5–12. Official interpretation

IFRIC 5 Rights to Interests arising from Decommissioning Restoration and Environmental Rehabilitation Funds

Account separately for a restoration liability and an interest in a fund. Assess control, joint control or significant influence first. Otherwise apply the reimbursement rules and limits; consider obligations for extra contributions.

Example. Paying into a clean up fund does not automatically remove the company's own clean up liability.

Read with: LKAS 37 and applicable group standards; paragraphs 7–13. Official interpretation

IFRIC 6 Liabilities arising from Participating in a Specific Market Waste Electrical and Electronic Equipment

For the specified historical household waste regime, participation in the market during the measurement period creates the obligation. Original manufacture or sale is not necessarily the trigger.

Example. A producer's market share in the defined period can determine its waste cost liability.

Read with: LKAS 37; paragraph 9. This is not a general Sri Lankan waste tax rule.. Official interpretation

Interpretations 5 to 8

IFRIC 7 Applying the Restatement Approach under IAS 29

Explains first application when a functional currency becomes hyperinflationary. Restate relevant opening non monetary amounts as though the economy had always been hyperinflationary; apply the specified deferred tax sequence.

Example. An old factory cost may need price index restatement from its acquisition date, not just the current year.

Read with: LKAS 29 and LKAS 12; paragraphs 3–5. Official interpretation

IFRIC 10 Interim Financial Reporting and Impairment

A goodwill impairment recognised in an interim period cannot be reversed later, even if the year end assessment improves. Older versions also discuss financial asset rules subsequently affected by SLFRS 9.

Example. A half year goodwill write down remains recognised at the annual reporting date.

Read with: LKAS 34 and LKAS 36; paragraphs 8–9. Official interpretation

IFRIC 12 Service Concession Arrangements

For qualifying public to private concessions controlled by the grantor, the operator does not recognise the infrastructure as its own property, plant and equipment. Construction consideration may be a financial asset, an intangible right to charge users, or both.

Example. A qualifying toll road operator may recognise a right to collect tolls rather than the road itself.

Read with: SLFRS 15, SLFRS 9 and LKAS 38; paragraphs 5–7 and 11–18. Read old revenue references with later amendments.. Official interpretation

IFRIC 14 The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction

A pension surplus is recognised only to the extent economic benefits are available through refunds or reduced future contributions. Minimum funding requirements can restrict the asset or create an additional obligation.

Example. A fund surplus is not fully recognised if the employer cannot recover it or reduce contributions.

Read with: LKAS 19; paragraphs 7–24. Official interpretation

Interpretations 9 to 12

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

Clarifies which currency exposures qualify for net investment hedge accounting, where the hedging instrument may be held within a group, and treatment on disposal. Presentation currency alone does not create an eligible exposure.

Example. A qualifying foreign currency borrowing may hedge the currency risk in an overseas subsidiary.

Read with: LKAS 21 and applicable hedge requirements; paragraphs 10–17. Official interpretation

IFRIC 17 Distributions of Non cash Assets to Owners

Recognise a dividend liability when appropriately authorised and no longer discretionary. Measure an in scope non cash distribution at fair value and remeasure until settlement; settlement differences follow the interpretation.

Example. Distributing an investment property as a dividend may create a settlement gain or loss.

Read with: Paragraphs 3–5 and 10–17. Common control distributions and other exclusions require separate assessment.. Official interpretation

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

When an in scope debt is settled by issuing equity, measure the equity at fair value, or use the liability's fair value if equity fair value cannot be reliably measured. Recognise the settlement difference in profit or loss.

Example. A lender accepts shares to settle a loan; the debtor may recognise a debt extinguishment gain.

Read with: SLFRS 9; paragraphs 3 and 5–9. Shareholder capacity transactions and original conversion terms can fall outside scope.. Official interpretation

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Allocate production stripping costs between current inventory and improved access to future ore. Recognise a stripping activity asset only when its criteria are met; depreciate over the identified ore component.

Example. Waste removal benefiting both current extraction and later ore access needs a supportable allocation.

Read with: LKAS 2, LKAS 16 and LKAS 38; paragraphs 8–16. Official interpretation

Interpretations 13 to 16

IFRIC 21 Levies

Recognise a levy liability when the legally specified activity triggering payment occurs. Recognise progressively only if that trigger occurs progressively. An intention or need to operate next year does not itself create today's liability.

Example. If legislation triggers a levy only when a revenue threshold is reached, recognise it when that threshold is met.

Read with: LKAS 37; paragraphs 8–14. Income taxes within LKAS 12 are outside this interpretation.. Official interpretation

IFRIC 22 Foreign Currency Transactions and Advance Consideration

When an advance creates a non monetary prepayment or deferred income balance, use the exchange rate when that balance was first recognised for the related asset, expense or income. Separate advances have separate dates.

Example. Inventory covered by a qualifying foreign currency advance uses that advance date rate for the prepaid portion.

Read with: LKAS 21; paragraphs 8–9. Do not apply this automatically to monetary refundable deposits.. Official interpretation

IFRIC 23 Uncertainty over Income Tax Treatments

Assume the tax authority examines the matter with full knowledge. If acceptance of a treatment is not probable, reflect uncertainty using the most likely amount or expected value, whichever better predicts the outcome.

Example. A disputed tax deduction may need an uncertain tax adjustment even before an assessment is issued.

Read with: LKAS 12; paragraphs 6–14. Assess treatments separately or together according to which better predicts resolution.. Official interpretation

SIC 7 Introduction of the Euro

Introducing the euro does not suspend normal currency translation rules. Translate monetary balances appropriately and retain foreign operation translation reserves until the relevant disposal event.

Example. Changing a participating country's currency does not automatically release its translation reserve into profit.

Read with: LKAS 21; paragraphs 3–4. Mainly relevant to affected overseas operations.. Official interpretation

Interpretations 17 to 20

SIC 10 Government Assistance with No Specific Relation to Operating Activities

Support conditional only on operating in a region or industry can still be a government grant. Apply the grant standard instead of crediting it directly to shareholders' equity.

Example. A qualifying regional business support grant is accounted for under LKAS 20.

Read with: LKAS 20; paragraph 3. Official interpretation

SIC 25 Income Taxes Changes in the Tax Status of an Entity or its Shareholders

Current and deferred tax consequences of a tax status change normally affect profit or loss. Tax relating to items recognised in equity or other comprehensive income follows those items.

Example. A tax status change can remeasure deferred tax; the destination depends on the related underlying transaction.

Read with: LKAS 12; paragraph 4. Official interpretation

SIC 29 Service Concession Arrangements Disclosures

Explain the concession, significant terms, rights, obligations, renewal options and changes. Disclose classification and required construction service revenue and results. It addresses disclosures for operators and grantors.

Example. A concession note explains hand back duties, pricing terms and obligations to maintain infrastructure.

Read with: IFRIC 12; paragraphs 6–7. Official interpretation

SIC 32 Intangible Assets Web Site Costs

Apply intangible asset criteria to website development. Planning is normally expensed; qualifying development may be capitalised. A site built solely or primarily for advertising is expensed. Evaluate later operating costs separately.

Example. An online ordering platform may qualify for capitalisation if all criteria are met; a promotional brochure site normally does not.

Read with: LKAS 38; paragraphs 7–10. Official interpretation

Historical interpretations and current reading

The 20 interpretations summarised above match the linked SLAASC interpretations list. The following additional interpretations explain references you may encounter in the older standards. They are superseded on application of the replacement standard and should not be applied as independent current requirements. This table is a transition aid, not a catalogue of every interpretation withdrawn before the supplied collection.

Interpretation	Former subject in simple terms	Read now
IFRIC 4	Whether an arrangement contained a lease	SLFRS 16
IFRIC 13	Accounting for customer loyalty rewards	SLFRS 15
IFRIC 15	Revenue on real estate construction agreements	SLFRS 15
IFRIC 18	Assets transferred by customers	SLFRS 15
SIC 15	Operating lease incentives	SLFRS 16
SIC 27	Substance of transactions with a lease legal form	SLFRS 16
SIC 31	Advertising barter revenue	SLFRS 15

Sources: SLFRS 15 Appendix C paragraph C10 and SLFRS 16 Appendix C paragraph C21. Their official text links appear in the corresponding standard summaries.

Interpretations and agenda decisions are different

An IFRIC or SIC interpretation is a formal interpretation. An IFRIC agenda decision explains how existing requirements apply to a submitted fact pattern and may explain why no standard setting project is needed. The SLAASC site has a separate agenda decisions collection. This guide does not reproduce every agenda decision; consult relevant decisions when resolving a specific issue. [S2 and S9]

Local guidance still matters

The site also lists SoRPs, SoATs, financial reporting guidelines and technical notices. These can address specific local transactions or transitions, including insurance reporting. Their conditions and period of applicability must be checked separately. A historical concession or alternative treatment should not be assumed to continue indefinitely. [S2]

A simple accounting glossary

Term	Plain language meaning
Accrual basis	Record economic effects when they arise, even if cash moves later.
Carrying amount	The amount currently recognised for an asset or liability.
Amortised cost	An amount updated using effective interest, repayments and relevant loss adjustments.
Fair value	A market participant exit price at the measurement date under the applicable framework.
Net realisable value	Expected inventory selling price less completion and selling costs.
Present value	Future cash flows converted to an amount today using a discount rate.
Other comprehensive income or OCI	Specified income and expense outside profit or loss, but within total comprehensive income.
Impairment	A reduction because the applicable recoverable or credit value is below the recorded amount.
Expected credit loss or ECL	A probability weighted credit loss estimate using relevant past, current and forward looking information.
Cash generating unit or CGU	The smallest identifiable asset group producing largely independent cash inflows.
Performance obligation	A promise to transfer a distinct good or service, or a qualifying series, to a customer.
Temporary difference	A difference between an accounting carrying amount and its tax base.
Material information	Information whose omission, misstatement or obscuring could reasonably influence primary users' decisions.
Prospective application	Apply a change to the current and future periods as required.
Retrospective application	Apply a policy as though it had always been used, subject to the applicable exceptions.
Provision	A liability whose timing or amount is uncertain.
Contingent liability	A possible obligation, or a present obligation that does not meet the recognition criteria.

Putting the standards into practice

These examples show how multiple standards can affect the same business. They assume full SLFRSs apply and ignore taxes or other complications unless stated.

A machine bought for use

A machine costs LKR 1,000,000 plus qualifying installation of LKR 100,000. With no residual value and a five year useful life, straight line depreciation is LKR 220,000 for a full year after it is available for use. Initial entry: debit property, plant and equipment LKR 1,100,000; credit cash or payable LKR 1,100,000. Annual entry: debit depreciation expense and credit accumulated depreciation LKR 220,000. Apply LKAS 16; assess LKAS 36 if impairment indicators arise.

An annual service paid in advance

A customer pays LKR 120,000 before a twelve month service begins. If the service is a single obligation satisfied evenly over time, initially debit cash and credit a contract liability LKR 120,000. Each month, debit the contract liability and credit revenue LKR 10,000. Apply SLFRS 15; the actual service pattern determines timing.

A receivable with expected losses

Trade receivables total LKR 1,000,000. A supported lifetime loss assessment of 3 percent gives an allowance of LKR 30,000. Debit impairment expense and credit the loss allowance. Apply SLFRS 9 and explain the methods and risks under SLFRS 7. The 3 percent is illustrative, not a recommended standard rate.

Year end review sequence

1. Confirm the reporting framework and standards effective for the period.
2. List significant transactions and link each to the topic map.
3. Review estimates for inventory, receivables, assets, employee benefits, provisions and taxes.
4. Check consolidation, related parties and commitments against contracts and records.
5. Review subsequent events and going concern up to authorisation.
6. Complete a full disclosure checklist and retain evidence for significant judgements.

Sources and coverage notes

Reviewed on 10 October 2026. The summaries are original plain language explanations. Read the full locally applicable standard before making a material accounting decision. Paragraph references identify useful starting points and are not exhaustive.

S1 Supplied 2017 collection

S2 SLAASC accounting standards hub and framework collections

S3 SLAASC 2025 bound volume collection used for later standard texts

S4 SLAASC IFRIC and SIC collection

S5 CA Sri Lanka notice of 5 December 2023 on SLFRS 17 and insurer SLFRS 9

S6 SLAASC summary of the revised Conceptual Framework

S7 CA Sri Lanka Annual Report 2025 note 2.8.2.5 on SLFRS 18

S8 CA Sri Lanka current standards listing including SLFRS 18 and 19

S9 XRB explanation of IFRS Interpretations Committee agenda decisions

S10 IFRS Foundation IFRS 18 overview

S11 IFRS Foundation IFRS 19 overview and eligibility

Source limitations and update checks

The 2025 collection still labels SLFRS 17 as not yet effective. This guide follows the specific local effective date notice instead. Some downloadable interpretation texts contain superseded IAS cross references; use the replacement SLFRS requirements. The latest CA Sri Lanka listing identifies a 2026 bound volume, but its full contents were not available for review in this research.

SLFRS 18 timing is supported by CA Sri Lanka's own 2025 financial statement note. For SLFRS 19, the local listing was verified but the full local text and local effective date were not retrieved; the entry therefore distinguishes the IFRS counterpart's timing from local confirmation. The document is not represented as a fully consolidated 2026 compliance manual.

The 2017 source contains 41 unique numbered standards; the guide adds four later standards and two outlook entries for a total of 47. All 20 listed IFRIC and SIC interpretations are included. Other reporting frameworks and individual local pronouncements remain outside the detailed scope described at the beginning.