Sri Lanka Accounting Standards Changes with effect from 01 January 2012

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THE *CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING*

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TABLE OF CONCORDANCE

The Introduction has been carried forward from the *Framework*. This will be updated when the Council of the Institute of Chartered Accountants of Sri Lanka (The Council) considers the purpose of the *Conceptual Framework*. Until then, the purpose and the status of the *Conceptual Framework* are the same as before.

Introduction

Financial statements are prepared and presented for external users by many entities around the world. Although such financial statements may appear similar from country to country, there are differences which have probably been caused by a variety of social, economic and legal circumstances and by different countries having in mind the needs of different users of financial statements when setting national requirements.

These different circumstances have led to the use of a variety of definitions of the elements of financial statements: for example, assets, liabilities, equity, income and expenses. They have also resulted in the use of different criteria for the recognition of items in the financial statements and in a preference for different bases of measurement. The scope of the financial statements and the disclosures made in them have also been affected.

The Council is committed to narrowing these differences by seeking to harmonise regulations, accounting standards and procedures relating to the preparation and presentation of financial statements. It believes that further harmonisation can best be pursued by focusing on financial statements that are prepared for the purpose of providing information that is useful in making economic decisions.

The Council believes that financial statements prepared for this purpose meet the common needs of most users. This is because nearly all users are making economic decisions, for example:

(a) to decide when to buy, hold or sell an equity investment.

(b) to assess the stewardship or accountability of management.

(c) to assess the ability of the entity to pay and provide other benefits to its employees.

(d) to assess the security for amounts lent to the entity.

(e) to determine taxation policies.

(f) to determine distributable profits and dividends.

(g) to prepare and use national income statistics.

(h) to regulate the activities of entities.

The Council recognises, however, that the Government, in particular, may specify different or additional requirements for its own purposes. These requirements should not, however, affect financial statements published for the benefit of other users unless they also meet the needs of those other users.

Financial statements are most commonly prepared in accordance with an accounting model based on recoverable historical cost and the nominal financial capital maintenance concept. Other models and concepts may be more appropriate in order to meet the objective of providing information that is useful for making economic decisions although there is at present no consensus for change. This *Conceptual Framework* has been developed so that it is applicable to a range of accounting models and concepts of capital and capital maintenance.

Purpose and status

This *Conceptual Framework* sets out the concepts that underlie the preparation and presentation of financial statements for external users. The purpose of the *Conceptual Framework* is:

(a) to assist the Council in the development of future Sri Lanka Accounting Standards and in its review of existing Sri Lanka Accounting Standards;

(b) to assist the Council in promoting harmonisation of regulations, accounting standards and procedures relating to the presentation of financial statements by providing a basis for reducing the number of alternative accounting treatments permitted by Sri Lanka Accounting Standards;

(c) to assist the Council in developing Sri Lanka Accounting Standards;

(d) to assist preparers of financial statements in applying Sri Lanka Accounting Standards and in dealing with topics that have yet to form the subject of a Sri Lanka Accounting Standard;

(e) to assist auditors in forming an opinion on whether financial statements comply with Sri Lanka Accounting Standards;

(f) to assist users of financial statements in interpreting the information contained in financial statements prepared in compliance with Sri Lanka Accounting Standards; and

(g) to provide those who are interested in the work of the Council with information about its approach to the formulation of Sri Lanka Accounting Standards.

This *Conceptual Framework* is not a Sri Lanka Accounting Standard and hence does not define standards for any particular measurement or disclosure issue. Nothing in this *Conceptual Framework* overrides any specific Sri Lanka Accounting Standard. The Council recognises that in a limited number of cases there may be a conflict between the *Conceptual Framework* and a Sri Lanka Accounting Standard. In those cases where there is a conflict, the requirements of the Sri Lanka Accounting Standard prevail over those of the *Conceptual Framework*. As, however, the Council will be guided by the *Conceptual Framework* in the development of future Standards and in its review of existing Standards, the number of cases of conflict between the *Conceptual Framework* and Sri Lanka Accounting Standards will diminish through time.

The *Conceptual Framework* will be revised from time to time on the basis of the Council's experience of working with it.

Scope

The *Conceptual Framework* deals with:

(a) the objective of financial reporting;

(b) the qualitative characteristics of useful financial information;

(c) the definition, recognition and measurement of the elements from which financial statements are constructed; and

(d) concepts of capital and capital maintenance.

CHAPTER 1: *THE OBJECTIVE OF GENERAL PURPOSE FINANCIAL REPORTING*

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Chapter 1: *The objective of general purpose financial reporting*

Introduction

OB1 The objective of general purpose financial reporting forms the foundation of the *Conceptual Framework*. Other aspects of the *Conceptual Framework*—a reporting entity concept, the qualitative characteristics of, and the constraint on, useful financial information, elements of financial statements, recognition, measurement, presentation and disclosure—flow logically from the objective.

Objective, usefulness and limitations of general purpose financial reporting

OB2 The objective of general purpose financial reporting[*] is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling or holding equity and debt instruments, and providing or settling loans and other forms of credit.

OB3 Decisions by existing and potential investors about buying, selling or holding equity and debt instruments depend on the returns that they expect from an investment in those instruments, for example dividends, principal and interest payments or market price increases. Similarly, decisions by existing and potential lenders and other creditors about providing or settling loans and other forms of credit depend on the principal and interest payments or other returns that they expect. Investors', lenders' and other creditors' expectations about returns depend on their assessment of the amount, timing and uncertainty of (the prospects for) future net cash inflows to the entity. Consequently, existing and potential investors, lenders and other creditors need information to help them asses the prospects for future net cash inflows to an entity.

OB4 To assess an entity's prospects for future net cash inflows, existing and potential investors, lenders and other creditors need information about the resources of the entity, claims against the entity, and how efficiently

[*] Throughout this *Conceptual Framework*, the terms *financial reports* and *financial reporting* refer to *general purpose financial reports* and *general purpose financial reporting* unless specifically indicated otherwise.

and effectively the entity's management and governing board[†] have discharged their responsibilities to use the entity's resources. Examples of such responsibilities include protecting the entity's resources from un favourable effects of economic factors such as price and technological changes and ensuring that the entity complies with applicable laws, regulations and contractual provisions. Information about management's discharge of its responsibilities is also useful for decisions by existing investors, lenders and other creditors who have the right to vote on or otherwise influence management's actions.

OB5 Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial reports for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial reports are directed.

OB6 However, general purpose financial reports do not and cannot provide all of the information that existing and potential investors, lenders and other creditors need. Those users need to consider pertinent information from other sources, for example, general economic conditions and expectations, political events and political climate, and industry and company outlooks.

OB7 General purpose financial reports are not designed to show the value of a reporting entity; but they provide information to help existing and potential investors, lenders and other creditors to estimate the value of the reporting entity.

OB8 Individual primary users have different, and possibly conflicting, information needs and desires. The Council, in developing financial reporting standards, will seek to provide the information set that will meet the needs of the maximum number of primary users. However, focusing on common information needs does not prevent the reporting entity from including additional information that is most useful to a particular subset of primary users.

OB9 The management of a reporting entity is also interested in financial information about the entity. However, management need not rely on general purpose financial reports because it is able to obtain the financial information it needs internally.

[†] Throughout this *Conceptual Framework*, the term *management* refers to *management and the governing board of an entity* unless specifically indicated otherwise.

OB10 Other parties, such as regulators and members of the public other than investors, lenders and other creditors, may also find general purpose financial reports useful. However, those reports are not primarily directed to these other groups.

OB11 To a large extent, financial reports are based on estimates, judgments and models rather than exact depictions. The *Conceptual Framework* establishes the concepts that underlie those estimates, judgments and models. The concepts are the goal towards which the Council and preparers of financial reports strive. As with most goals, the *Conceptual Framework*'s vision of ideal financial reporting is unlikely to be achieved in full, at least not in the short term, because it takes time to understand, accept and implement new ways of analysing transactions and other events. Nevertheless, establishing a goal towards which to strive is essential if financial reporting is to evolve so as to improve its usefulness.

Information about a reporting entity's economic resources, claims, and changes in resources and claims

OB12 General purpose financial reports provide information about the financial position of a reporting entity, which is information about the entity's economic resources and the claims against the reporting entity. Financial reports also provide information about the effects of transactions and other events that change a reporting entity's economic resources and claims. Both types of information provide useful input for decisions about providing resources to an entity.

Economic resources and claims

OB13 Information about the nature and amounts of a reporting entity's economic resources and claims can help users to identify the reporting entity's financial strengths and weaknesses. That information can help users to assess the reporting entity's liquidity and solvency, its needs for additional financing and how successful it is likely to be in obtaining that financing. Information about priorities and payment requirements of existing claims helps users to predict how future cash flows will be distributed among those with a claim against the reporting entity.

OB14 Different types of economic resources affect a user's assessment of the reporting entity's prospects for future cash flows differently. Some future cash flows result directly from existing economic resources, such

as accounts receivable. Other cash flows result from using several resources in combination to produce and market goods or services to customers. Although those cash flows cannot be identified with individual economic resources (or claims), users of financial reports need to know the nature and amount of the resources available for use in a reporting entity's operations.

Changes in economic resources and claims

OB15 Changes in a reporting entity's economic resources and claims result from that entity's financial performance (see paragraphs OB17–OB20) and from other events or transactions such as issuing debt or equity instruments (see paragraph OB21). To properly assess the prospects for future cash flows from the reporting entity, users need to be able to distinguish between both of these changes.

OB16 Information about a reporting entity's financial performance helps users to understand the return that the entity has produced on its economic resources. Information about the return the entity has produced provides an indication of how well management has discharged its responsibilities to make efficient and effective use of the reporting entity's resources. Information about the variability and components of that return is also important, especially in assessing the uncertainty of future cash flows. Information about a reporting entity's past financial performance and how its management discharged its responsibilities is usually helpful in predicting the entity's future returns on its economic resources.

Financial performance reflected by accrual accounting

OB17 Accrual accounting depicts the effects of transactions and other events and circumstances on a reporting entity's economic resources and claims in the periods in which those effects occur, even if the resulting cash receipts and payments occur in a different period. This is important because information about a reporting entity's economic resources and claims and changes in its economic resources and claims during a period provides a better basis for assessing the entity's past and future performance than information solely about cash receipts and payments during that period.

OB18 Information about a reporting entity's financial performance during a period, reflected by changes in its economic resources and claims other

than by obtaining additional resources directly from investors and creditors (see paragraph OB21), is useful in assessing the entity's past and future ability to generate net cash inflows. That information indicates the extent to which the reporting entity has increased its available economic resources, and thus its capacity for generating net cash inflows through its operations rather than by obtaining additional resources directly from investors and creditors.

OB19 Information about a reporting entity's financial performance during a period may also indicate the extent to which events such as changes in market prices or interest rates have increased or decreased the entity's economic resources and claims, thereby affecting the entity's ability to generate net cash inflows.

Financial performance reflected by past cash flows

OB20 Information about a reporting entity's cash flows during a period also helps users to assess the entity's ability to generate future net cash inflows. It indicates how the reporting entity obtains and spends cash, including information about its borrowing and repayment of debt, cash dividends or other cash distributions to investors, and other factors that may affect the entity's liquidity or solvency. Information about cash flows helps users understand a reporting entity's operations, evaluate its financing and investing activities, assess its liquidity or solvency and interpret other information about financial performance.

Changes in economic resources and claims not resulting from financial performance

OB21 A reporting entity's economic resources and claims may also change for reasons other than financial performance, such as issuing additional ownership shares. Information about this type of change is necessary to give users a complete understanding of why the reporting entity's economic resources and claims changed and the implications of those changes for its future financial performance.

CHAPTER 2: ***THE REPORTING ENTITY***

[to be added]

CHAPTER 3: *QUALITATIVE CHARACTERISTICS OF USEFUL FINANCIAL INFORMATION*

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Chapter 3: ***Qualitative characteristics of useful financial information***

Introduction

QC1 The qualitative characteristics of useful financial information discussed in this chapter identify the types of information that are likely to be most useful to the existing and potential investors, lenders and other creditors for making decisions about the reporting entity on the basis of information in its financial report (financial information).

QC2 Financial reports provide information about the reporting entity's economic resources, claims against the reporting entity and the effects of transactions and other events and conditions that change those resources and claims. (This information is referred to in the *Conceptual Framework* as information about the economic phenomena.) Some financial reports also include explanatory material about management's expectations and strategies for the reporting entity, and other types of forward-looking information.

QC3 The qualitative characteristics of useful financial information[*] apply to financial information provided in financial statements, as well as to financial information provided in other ways. Cost, which is a pervasive constraint on the reporting entity's ability to provide useful financial information, applies similarly. However, the considerations in applying the qualitative characteristics and the cost constraint may be different for different types of information. For example, applying them to forward-looking information may be different from applying them to information about existing economic resources and claims and to changes in those resources and claims.

Qualitative characteristics of useful financial information

QC4 If financial information is to be useful, it must be relevant and faithfully represent what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely and understandable.

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[*] Throughout this *Conceptual Framework*, the terms *qualitative characteristics* and *constraint* refer to the qualitative characteristics of, and the constraint on, useful financial information.

Fundamental qualitative characteristics

QC5 The fundamental qualitative characteristics are *relevance* and *faithful representation*.

Relevance

QC6 Relevant financial information is capable of making a difference in the decisions made by users. Information may be capable of making a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources.

QC7 Financial information is capable of making a difference in decisions if it has predictive value, confirmatory value or both.

QC8 Financial information has predictive value if it can be used as an input to processes employed by users to predict future outcomes. Financial information need not be a prediction or forecast to have predictive value. Financial information with predictive value is employed by users in making their own predictions.

QC9 Financial information has confirmatory value if it provides feedback about (confirms or changes) previous evaluations.

QC10 The predictive value and confirmatory value of financial information are interrelated. Information that has predictive value often also has confirmatory value. For example, revenue information for the current year, which can be used as the basis for predicting revenues in future years, can also be compared with revenue predictions for the current year that were made in past years. The results of those comparisons can help a user to correct and improve the processes that were used to make those previous predictions.

Materiality

QC11 Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity’s financial report. Consequently, the Council cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.

Faithful representation

QC12 Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the phenomena that it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be *complete*, *neutral* and *free from error*. Of course, perfection is seldom, if ever, achievable. The Council's objective is to maximise those qualities to the extent possible.

QC13 A complete depiction includes all information necessary for a user to understand the phenomenon being depicted, including all necessary descriptions and explanations. For example, a complete depiction of a group of assets would include, at a minimum, a description of the nature of the assets in the group, a numerical depiction of all of the assets in the group, and a description of what the numerical depiction represents (for example, original cost, adjusted cost or fair value). For some items, a complete depiction may also entail explanations of significant facts about the quality and nature of the items, factors and circumstances that might affect their quality and nature, and the process used to determine the numerical depiction.

QC14 A neutral depiction is without bias in the selection or presentation of financial information. A neutral depiction is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to increase the probability that financial information will be received favorably or unfavorably by users. Neutral information does not mean information with no purpose or no influence on behavior. On the contrary, relevant financial information is, by definition, capable of making a difference in users' decisions.

QC15 Faithful representation does not mean accurate in all respects. Free from error means there are no errors or omissions in the description of the phenomenon, and the process used to produce the reported information has been selected and applied with no errors in the process. In this context, free from error does not mean perfectly accurate in all respects. For example, an estimate of an unobservable price or value cannot be determined to be accurate or inaccurate. However, a representation of that estimate can be faithful if the amount is described clearly and accurately as being an estimate, the nature and limitations of the estimating process are explained, and no errors have been made in

selecting and applying an appropriate process for developing the estimate.

QC16 A faithful representation, by itself, does not necessarily result in useful information. For example, a reporting entity may receive property, plant and equipment through a government grant. Obviously, reporting that an entity acquired an asset at no cost would faithfully represent its cost, but that information would probably not be very useful. A slightly more subtle example is an estimate of the amount by which an asset's carrying amount should be adjusted to reflect an impairment in the asset's value. That estimate can be a faithful representation if the reporting entity has properly applied an appropriate process, properly described the estimate and explained any uncertainties that significantly affect the estimate. However, if the level of uncertainty in such an estimate is sufficiently large, that estimate will not be particularly useful. In other words, the relevance of the asset being faithfully represented is questionable. If there is no alternative representation that is more faithful, that estimate may provide the best available information.

Applying the fundamental qualitative characteristics

QC17 Information must be both relevant and faithfully represented if it is to be useful. Neither a faithful representation of an irrelevant phenomenon nor an unfaithful representation of a relevant phenomenon helps users make good decisions.

QC18 The most efficient and effective process for applying the fundamental qualitative characteristics would usually be as follows (subject to the effects of enhancing characteristics and the cost constraint, which are not considered in this example). First, identify an economic phenomenon that has the potential to be useful to users of the reporting entity's financial information. Second, identify the type of information about that phenomenon that would be most relevant if it is available and can be faithfully represented. Third, determine whether that information is available and can be faithfully represented. If so, the process of satisfying the fundamental qualitative characteristics ends at that point. If not, the process is repeated with the next most relevant type of information.

Enhancing qualitative characteristics

QC19 *Comparability*, *verifiability*, *timeliness* and *understandability* are qualitative characteristics that enhance the usefulness of information that is relevant and faithfully represented. The enhancing qualitative characteristics may also help determine which of two ways should be used to depict a phenomenon if both are considered equally relevant and faithfully represented.

Comparability

QC20 Users' decisions involve choosing between alternatives, for example, selling or holding an investment, or investing in one reporting entity or another. Consequently, information about a reporting entity is more useful if it can be compared with similar information about other entities and with similar information about the same entity for another period or another date.

QC21 Comparability is the qualitative characteristic that enables users to identify and understand similarities in, and differences among, items. Unlike the other qualitative characteristics, comparability does not relate to a single item. A comparison requires at least two items.

QC22 Consistency, although related to comparability, is not the same. Consistency refers to the use of the same methods for the same items, either from period to period within a reporting entity or in a single period across entities. Comparability is the goal; consistency helps to achieve that goal.

QC23 Comparability is not uniformity. For information to be comparable, like things must look alike and different things must look different. Comparability of financial information is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different.

QC24 Some degree of comparability is likely to be attained by satisfying the fundamental qualitative characteristics. A faithful representation of a relevant economic phenomenon should naturally possess some degree of comparability with a faithful representation of a similar relevant economic phenomenon by another reporting entity.

QC25 Although a single economic phenomenon can be faithfully represented in multiple ways, permitting alternative accounting methods for the same economic phenomenon diminishes comparability.

Verifiability

QC26 Verifiability helps assure users that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Quantified information need not be a single point estimate to be verifiable. A range of possible amounts and the related probabilities can also be verified.

QC27 Verification can be direct or indirect. Direct verification means verifying an amount or other representation through direct observation, for example, by counting cash. Indirect verification means checking the inputs to a model, formula or other technique and recalculating the outputs using the same methodology. An example is verifying the carrying amount of inventory by checking the inputs (quantities and costs) and recalculating the ending inventory using the same cost flow assumption (for example, using the first-in, first-out method).

QC28 It may not be possible to verify some explanations and forward-looking financial information until a future period, if at all. To help users decide whether they want to use that information, it would normally be necessary to disclose the underlying assumptions, the methods of compiling the information and other factors and circumstances that support the information.

Timeliness

QC29 Timeliness means having information available to decision-makers in time to be capable of influencing their decisions. Generally, the older the information is the less useful it is. However, some information may continue to be timely long after the end of a reporting period because, for example, some users may need to identify and assess trends.

Understandability

QC30 Classifying, characterising and presenting information clearly and concisely makes it *understandable*.

QC31 Some phenomena are inherently complex and cannot be made easy to understand. Excluding information about those phenomena from financial reports might make the information in those financial reports easier to understand. However, those reports would be incomplete and therefore potentially misleading.

QC32 Financial reports are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

Applying the enhancing qualitative characteristics

QC33 Enhancing qualitative characteristics should be maximised to the extent possible. However, the enhancing qualitative characteristics, either individually or as a group, cannot make information useful if that information is irrelevant or not faithfully represented.

QC34 Applying the enhancing qualitative characteristics is an iterative process that does not follow a prescribed order. Sometimes, one enhancing qualitative characteristic may have to be diminished to maximise another qualitative characteristic. For example, a temporary reduction in comparability as a result of prospectively applying a new financial reporting standard may be worthwhile to improve relevance or faithful representation in the longer term. Appropriate disclosures may partially compensate for non-comparability.

The cost constraint on useful financial reporting

QC35 Cost is a pervasive constraint on the information that can be provided by financial reporting. Reporting financial information imposes costs, and it is important that those costs are justified by the benefits of reporting that information. There are several types of costs and benefits to consider.

QC36 Providers of financial information expend most of the effort involved in collecting, processing, verifying and disseminating financial information, but users ultimately bear those costs in the form of reduced returns. Users of financial information also incur costs of analysing and interpreting the information provided. If needed information is not provided, users incur additional costs to obtain that information elsewhere or to estimate it.

QC37 Reporting financial information that is relevant and faithfully represents what it purports to represent helps users to make decisions with more confidence. This results in more efficient functioning of capital markets and a lower cost of capital for the economy as a whole. An individual investor, lender or other creditor also receives benefits by making more informed decisions. However, it is not possible for general purpose financial reports to provide all the information that every user finds relevant.

QC38 In applying the cost constraint, the Council assesses whether the benefits of reporting particular information are likely to justify the costs incurred to provide and use that information. When applying the cost constraint in developing a proposed financial reporting standard, the Council seeks information from providers of financial information, users, auditors, academics and others about the expected nature and quantity of the benefits and costs of that standard. In most situations, assessments are based on a combination of quantitative and qualitative information.

QC39 Because of the inherent subjectivity, different individuals' assessments of the costs and benefits of reporting particular items of financial information will vary. Therefore, the Council seeks to consider costs and benefits in relation to financial reporting generally, and not just in relation to individual reporting entities. That does not mean that assessments of costs and benefits always justify the same reporting requirements for all entities. Differences may be appropriate because of different sizes of entities, different ways of raising capital (publicly or privately), different users' needs or other factors.

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Chapter 4: *The* Framework*: the remaining text*

The remaining text of the Framework for the Preparation and Presentation of Financial Statements *has not been amended to reflect changes made by LKAS 1* Presentation of Financial Statements.

The remaining text will also be updated when the Council has considered the elements of financial statements and their measurement bases.

Underlying assumption

Going concern

4.1 The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used is disclosed.

The elements of financial statements

4.2 Financial statements portray the financial effects of transactions and other events by grouping them into broad classes according to their economic characteristics. These broad classes are termed the elements of financial statements. The elements directly related to the measurement of financial position in the balance sheet are assets, liabilities and equity. The elements directly related to the measurement of performance in the income statement are income and expenses. The statement of changes in financial position usually reflects income statement elements and changes in balance sheet elements; accordingly, this *Conceptual Framework* identifies no elements that are unique to this statement.

4.3 The presentation of these elements in the balance sheet and the income statement involves a process of sub-classification. For example, assets and liabilities may be classified by their nature or function in the business of the entity in order to display information in the manner most useful to users for purposes of making economic decisions.

Financial position

4.4 The elements directly related to the measurement of financial position are assets, liabilities and equity. These are defined as follows:

(a) An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

(b) A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

(c) Equity is the residual interest in the assets of the entity after deducting all its liabilities.

4.5 The definitions of an asset and a liability identify their essential features but do not attempt to specify the criteria that need to be met before they are recognized in the balance sheet. Thus, the definitions embrace items that are not recognized as assets or liabilities in the balance sheet because they do not satisfy the criteria for recognition discussed in paragraphs 4.37–4.53. In particular, the expectation that future economic benefits will flow to or from an entity must be sufficiently certain to meet the probability criterion in paragraph 4.38 before an asset or liability is recognised.

4.6 In assessing whether an item meets the definition of an asset, liability or equity, attention needs to be given to its underlying substance and economic reality and not merely its legal form. Thus, for example, in the case of finance leases, the substance and economic reality are that the lessee acquires the economic benefits of the use of the leased asset for the major part of its useful life in return for entering into an obligation to pay for that right an amount approximating to the fair value of the asset and the related finance charge. Hence, the finance lease gives rise to items that satisfy the definition of an asset and a liability and are recognised as such in the lessee's balance sheet.

4.7 Balance sheets drawn up in accordance with current Sri Lanka Accounting Standards may include items that do not satisfy the definitions of an asset or liability and are not shown as part of equity. The definitions set out in paragraph 4.4 will, however, underlie future

reviews of existing Sri Lanka Accounting Standards and the formulation of further Sri Lanka Accounting Standards.

Assets

4.8 The future economic benefit embodied in an asset is the potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the entity. The potential may be a productive one that is part of the operating activities of the entity. It may also take the form of convertibility into cash or cash equivalents or a capability to reduce cash outflows, such as when an alternative manufacturing process lowers the costs of production.

4.9 An entity usually employs its assets to produce goods or services capable of satisfying the wants or needs of customers; because these goods or services can satisfy these wants or needs, customers are prepared to pay for them and hence contribute to the cash flow of the entity. Cash itself renders a service to the entity because of its command over other resources.

4.10 The future economic benefits embodied in an asset may flow to the entity in a number of ways. For example, an asset may be:

(a) used singly or in combination with other assets in the production of goods or services to be sold by the entity;

(b) exchanged for other assets;

(c) used to settle a liability; or

(d) distributed to the owners of the entity.

4.11 Many assets, for example, property, plant and equipment, have a physical form. However, physical form is not essential to the existence of an asset; hence patents and copyrights, for example, are assets if future economic benefits are expected to flow from them to the entity and if they are controlled by the entity.

4.12 Many assets, for example, receivables and property, are associated with legal rights, including the right of ownership. In determining the existence of an asset, the right of ownership is not essential; thus, for example, property held on a lease is an asset if the entity controls the benefits which are expected to flow from the property. Although the

capacity of an entity to control benefits is usually the result of legal rights, an item may nonetheless satisfy the definition of an asset even when there is no legal control. For example, know-how obtained from a development activity may meet the definition of an asset when, by keeping that know-how secret, an entity controls the benefits that are expected to flow from it.

4.13 The assets of an entity result from past transactions or other past events. Entities normally obtain assets by purchasing or producing them, but other transactions or events may generate assets; examples include property received by an entity from government as part of a programme to encourage economic growth in an area and the discovery of mineral deposits. Transactions or events expected to occur in the future do not in themselves give rise to assets; hence, for example, an intention to purchase inventory does not, of itself, meet the definition of an asset.

4.14 There is a close association between incurring expenditure and generating assets but the two do not necessarily coincide. Hence, when an entity incurs expenditure, this may provide evidence that future economic benefits were sought but is not conclusive proof that an item satisfying the definition of an asset has been obtained. Similarly the absence of a related expenditure does not preclude an item from satisfying the definition of an asset and thus becoming a candidate for recognition in the balance sheet; for example, items that have been donated to the entity may satisfy the definition of an asset.

Liabilities

4.15 An essential characteristic of a liability is that the entity has a present obligation. An obligation is a duty or responsibility to act or perform in a certain way. Obligations may be legally enforceable as a consequence of a binding contract or statutory requirement. This is normally the case, for example, with amounts payable for goods and services received. Obligations also arise, however, from normal business practice, custom and a desire to maintain good business relations or act in an equitable manner. If, for example, an entity decides as a matter of policy to rectify faults in its products even when these become apparent after the warranty period has expired, the amounts that are expected to be expended in respect of goods already sold are liabilities.

4.16 A distinction needs to be drawn between a present obligation and a future commitment. A decision by the management of an entity to acquire assets in the future does not, of itself, give rise to a present

obligation. An obligation normally arises only when the asset is delivered or the entity enters into an irrevocable agreement to acquire the asset. In the latter case, the irrevocable nature of the agreement means that the economic consequences of failing to honour the obligation, for example, because of the existence of a substantial penalty, leave the entity with little, if any, discretion to avoid the outflow of resources to another party.

4.17 The settlement of a present obligation usually involves the entity giving up resources embodying economic benefits in order to satisfy the claim of the other party. Settlement of a present obligation may occur in a number of ways, for example, by:

(a) payment of cash;

(b) transfer of other assets;

(c) provision of services;

(d) replacement of that obligation with another obligation; or

(e) conversion of the obligation to equity.

An obligation may also be extinguished by other means, such as a creditor waiving or forfeiting its rights.

4.18 Liabilities result from past transactions or other past events. Thus, for example, the acquisition of goods and the use of services give rise to trade payables (unless paid for in advance or on delivery) and the receipt of a bank loan results in an obligation to repay the loan. An entity may also recognise future rebates based on annual purchases by customers as liabilities; in this case, the sale of the goods in the past is the transaction that gives rise to the liability.

4.19 Some liabilities can be measured only by using a substantial degree of estimation. Some entities describe these liabilities as provisions. In some countries, such provisions are not regarded as liabilities because the concept of a liability is defined narrowly so as to include only amounts that can be established without the need to make estimates. The definition of a liability in paragraph 4.4 follows a broader approach. Thus, when a provision involves a present obligation and satisfies the rest of the definition, it is a liability even if the amount has

to be estimated. Examples include provisions for payments to be made under existing warranties and provisions to cover pension obligations.

Equity

4.20 Although equity is defined in paragraph 4.4 as a residual, it may be sub-classified in the balance sheet. For example, in a corporate entity, funds contributed by shareholders, retained earnings, reserves representing appropriations of retained earnings and reserves representing capital maintenance adjustments may be shown separately. Such classifications can be relevant to the decision-making needs of the users of financial statements when they indicate legal or other restrictions on the ability of the entity to distribute or otherwise apply its equity. They may also reflect the fact that parties with ownership interests in an entity have differing rights in relation to the receipt of dividends or the repayment of contributed equity.

4.21 The creation of reserves is sometimes required by statute or other law in order to give the entity and its creditors an added measure of protection from the effects of losses. Other reserves may be established if national tax law grants exemptions from, or reductions in, taxation liabilities when transfers to such reserves are made. The existence and size of these legal, statutory and tax reserves is information that can be relevant to the decision-making needs of users. Transfers to such reserves are appropriations of retained earnings rather than expenses.

4.22 The amount at which equity is shown in the balance sheet is dependent on the measurement of assets and liabilities. Normally, the aggregate amount of equity only by coincidence corresponds with the aggregate market value of the shares of the entity or the sum that could be raised by disposing of either the net assets on a piecemeal basis or the entity as a whole on a going concern basis.

4.23 Commercial, industrial and business activities are often undertaken by means of entities such as sole proprietorships, partnerships and trusts and various types of government business undertakings. The legal and regulatory framework for such entities is often different from that applying to corporate entities. For example, there may be few, if any, restrictions on the distribution to owners or other beneficiaries of amounts included in equity. Nevertheless, the definition of equity and the other aspects of this *Conceptual Framework* that deal with equity are appropriate for such entities.

Performance

4.24 Profit is frequently used as a measure of performance or as the basis for other measures, such as return on investment or earnings per share. The elements directly related to the measurement of profit are income and expenses. The recognition and measurement of income and expenses, and hence profit, depends in part on the concepts of capital and capital maintenance used by the entity in preparing its financial statements. These concepts are discussed in paragraphs 4.57–4.65.

4.25 The elements of income and expenses are defined as follows:

(a) Income is increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.

(b) Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

4.26 The definitions of income and expenses identify their essential features but do not attempt to specify the criteria that would need to be met before they are recognised in the income statement. Criteria for the recognition of income and expenses are discussed in paragraphs 4.37–4.53.

4.27 Income and expenses may be presented in the income statement in different ways so as to provide information that is relevant for economic decision-making. For example, it is common practice to distinguish between those items of income and expenses that arise in the course of the ordinary activities of the entity and those that do not. This distinction is made on the basis that the source of an item is relevant in evaluating the ability of the entity to generate cash and cash equivalents in the future; for example, incidental activities such as the disposal of a long-term investment are unlikely to recur on a regular basis. When distinguishing between items in this way consideration needs to be given to the nature of the entity and its operations. Items that arise from the ordinary activities of one entity may be unusual in respect of another.

4.28 Distinguishing between items of income and expense and combining them in different ways also permits several measures of entity performance to be displayed. These have differing degrees of inclusiveness. For example, the income statement could display gross margin, profit or loss from ordinary activities before taxation, profit or loss from ordinary activities after taxation, and profit or loss.

Income

4.29 The definition of income encompasses both revenue and gains. Revenue arises in the course of the ordinary activities of an entity and is referred to by a variety of different names including sales, fees, interest, dividends, royalties and rent.

4.30 Gains represent other items that meet the definition of income and may, or may not, arise in the course of the ordinary activities of an entity. Gains represent increases in economic benefits and as such are no different in nature from revenue. Hence, they are not regarded as constituting a separate element in this *Conceptual Framework*.

4.31 Gains include, for example, those arising on the disposal of non-current assets. The definition of income also includes unrealised gains; for example, those arising on the revaluation of marketable securities and those resulting from increases in the carrying amount of long-term assets. When gains are recognized in the income statement, they are usually displayed separately because knowledge of them is useful for the purpose of making economic decisions. Gains are often reported net of related expenses.

4.32 Various kinds of assets may be received or enhanced by income; examples include cash, receivables and goods and services received in exchange for goods and services supplied. Income may also result from the settlement of liabilities. For example, an entity may provide goods and services to a lender in settlement of an obligation to repay an outstanding loan.

Expenses

4.33 The definition of expenses encompasses losses as well as those expenses that arise in the course of the ordinary activities of the entity. Expenses that arise in the course of the ordinary activities of the entity include, for example, cost of sales, wages and depreciation. They

usually take the form of an outflow or depletion of assets such as cash and cash equivalents, inventory, property, plant and equipment.

4.34 Losses represent other items that meet the definition of expenses and may, or may not, arise in the course of the ordinary activities of the entity. Losses represent decreases in economic benefits and as such they are no different in nature from other expenses. Hence, they are not regarded as a separate element in this *Conceptual Framework*.

4.35 Losses include, for example, those resulting from disasters such as fire and flood, as well as those arising on the disposal of non-current assets. The definition of expenses also includes unrealised losses, for example, those arising from the effects of increases in the rate of exchange for a foreign currency in respect of the borrowings of an entity in that currency. When losses are recognised in the income statement, they are usually displayed separately because knowledge of them is useful for the purpose of making economic decisions. Losses are often reported net of related income.

Capital maintenance adjustments

4.36 The revaluation or restatement of assets and liabilities gives rise to increases or decreases in equity. While these increases or decreases meet the definition of income and expenses, they are not included in the income statement under certain concepts of capital maintenance. Instead these items are included in equity as capital maintenance adjustments or revaluation reserves. These concepts of capital maintenance are discussed in paragraphs 4.57–4.65 of this *Conceptual Framework*.

Recognition of the elements of financial statements

4.37 Recognition is the process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the criteria for recognition set out in paragraph 4.38. It involves the depiction of the item in words and by a monetary amount and the inclusion of that amount in the balance sheet or income statement totals. Items that satisfy the recognition criteria should be recognised in the balance sheet or income statement. The failure to recognise such items is not rectified by disclosure of the accounting policies used nor by notes or explanatory material.

4.38 An item that meets the definition of an element should be recognised if:

(a) it is probable that any future economic benefit associated with the item will flow to or from the entity; and

(b) the item has a cost or value that can be measured with reliability.*

4.39 In assessing whether an item meets these criteria and therefore qualifies for recognition in the financial statements, regard needs to be given to the materiality considerations discussed in Chapter 3 *Qualitative characteristics of useful financial information*. The interrelationship between the elements means that an item that meets the definition and recognition criteria for a particular element, for example, an asset, automatically requires the recognition of another element, for example, income or a liability.

The probability of future economic benefit

4.40 The concept of probability is used in the recognition criteria to refer to the degree of uncertainty that the future economic benefits associated with the item will flow to or from the entity. The concept is in keeping with the uncertainty that characterises the environment in which an entity operates. Assessments of the degree of uncertainty attaching to the flow of future economic benefits are made on the basis of the evidence available when the financial statements are prepared. For example, when it is probable that a receivable owed to an entity will be paid, it is then justifiable, in the absence of any evidence to the contrary, to recognize the receivable as an asset. For a large population of receivables, however, some degree of non-payment is normally considered probable; hence an expense representing the expected reduction in economic benefits is recognised.

Reliability of measurement

4.41 The second criterion for the recognition of an item is that it possesses a cost or value that can be measured with reliability. In many cases, cost or value must be estimated; the use of reasonable estimates is an essential part of the preparation of financial statements and does not

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* Information is reliable when it is complete, neutral and free from error.

undermine their reliability. When, however, a reasonable estimate cannot be made the item is not recognised in the balance sheet or income statement. For example, the expected proceeds from a lawsuit may meet the definitions of both an asset and income as well as the probability criterion for recognition; however, if it is not possible for the claim to be measured reliably, it should not be recognised as an asset or as income; the existence of the claim, however, would be disclosed in the notes, explanatory material or supplementary schedules.

4.42 An item that, at a particular point in time, fails to meet the recognition criteria in paragraph 4.38 may qualify for recognition at a later date as a result of subsequent circumstances or events.

4.43 An item that possesses the essential characteristics of an element but fails to meet the criteria for recognition may nonetheless warrant disclosure in the notes, explanatory material or in supplementary schedules. This is appropriate when knowledge of the item is considered to be relevant to the evaluation of the financial position, performance and changes in financial position of an entity by the users of financial statements.

Recognition of assets

4.44 An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

4.45 An asset is not recognised in the balance sheet when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. Instead such a transaction results in the recognition of an expense in the income statement. This treatment does not imply either that the intention of management in incurring expenditure was other than to generate future economic benefits for the entity or that management was misguided. The only implication is that the degree of certainty that economic benefits will flow to the entity beyond the current accounting period is insufficient to warrant the recognition of an asset.

Recognition of liabilities

4.46 A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the

settlement will take place can be measured reliably. In practice, obligations under contracts that are equally proportionately unperformed (for example, liabilities for inventory ordered but not yet received) are generally not recognised as liabilities in the financial statements. However, such obligations may meet the definition of liabilities and, provided the recognition criteria are met in the particular circumstances, may qualify for recognition. In such circumstances, recognition of liabilities entails recognition of related assets or expenses.

Recognition of income

4.47 Income is recognised in the income statement when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably. This means, in effect, that recognition of income occurs simultaneously with the recognition of increases in assets or decreases in liabilities (for example, the net increase in assets arising on a sale of goods or services or the decrease in liabilities arising from the waiver of a debt payable).

4.48 The procedures normally adopted in practice for recognising income, for example, the requirement that revenue should be earned, are applications of the recognition criteria in this *Conceptual Framework*. Such procedures are generally directed at restricting the recognition as income to those items that can be measured reliably and have a sufficient degree of certainty.

Recognition of expenses

4.49 Expenses are recognised in the income statement when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

4.50 Expenses are recognised in the income statement on the basis of a direct association between the costs incurred and the earning of specific items of income. This process, commonly referred to as the matching of costs with revenues, involves the simultaneous or combined recognition of revenues and expenses that result directly and jointly from the same transactions or other events; for example, the various components of

expense making up the cost of goods sold are recognised at the same time as the income derived from the sale of the goods. However, the application of the matching concept under this *Conceptual Framework* does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities.

4.51 When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognised in the income statement on the basis of systematic and rational allocation procedures. This is often necessary in recognising the expenses associated with the using up of assets such as property, plant, equipment, goodwill, patents and trademarks; in such cases the expense is referred to as depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

4.52 An expense is recognised immediately in the income statement when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the balance sheet as an asset.

4.53 An expense is also recognised in the income statement in those cases when a liability is incurred without the recognition of an asset, as when a liability under a product warranty arises.

Measurement of the elements of financial statements

4.54 Measurement is the process of determining the monetary amounts at which the elements of the financial statements are to be recognised and carried in the balance sheet and income statement. This involves the selection of the particular basis of measurement.

4.55 A number of different measurement bases are employed to different degrees and in varying combinations in financial statements. They include the following:

(a) *Historical cost*. Assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income

taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

(b) *Current cost*. Assets are carried at the amount of cash or cash equivalents that would have to be paid if the same or an equivalent asset was acquired currently. Liabilities are carried at the undiscounted amount of cash or cash equivalents that would be required to settle the obligation currently.

(c) *Realisable (settlement) value*. Assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the asset in an orderly disposal. Liabilities are carried at their settlement values; that is, the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.

(d) *Present value*. Assets are carried at the present discounted value of the future net cash inflows that the item is expected to generate in the normal course of business. Liabilities are carried at the present discounted value of the future net cash outflows that are expected to be required to settle the liabilities in the normal course of business.

4.56 The measurement basis most commonly adopted by entities in preparing their financial statements is historical cost. This is usually combined with other measurement bases. For example, inventories are usually carried at the lower of cost and net realisable value, marketable securities may be carried at market value and pension liabilities are carried at their present value. Furthermore, some entities use the current cost basis as a response to the inability of the historical cost accounting model to deal with the effects of changing prices of non-monetary assets.

Concepts of capital and capital maintenance

Concepts of capital

4.57 A financial concept of capital is adopted by most entities in preparing their financial statements. Under a financial concept of capital, such as invested money or invested purchasing power, capital is synonymous with the net assets or equity of the entity. Under a physical concept of capital, such as operating capability, capital is regarded as the

productive capacity of the entity based on, for example, units of output per day.

4.58 The selection of the appropriate concept of capital by an entity should be based on the needs of the users of its financial statements. Thus, a financial concept of capital should be adopted if the users of financial statements are primarily concerned with the maintenance of nominal invested capital or the purchasing power of invested capital. If, however, the main concern of users is with the operating capability of the entity, a physical concept of capital should be used. The concept chosen indicates the goal to be attained in determining profit, even though there may be some measurement difficulties in making the concept operational.

Concepts of capital maintenance and the determination of profit

4.59 The concepts of capital in paragraph 4.57 give rise to the following concepts of capital maintenance:

(a) *Financial capital maintenance*. Under this concept a profit is earned only if the financial (or money) amount of the net assets at the end of the period exceeds the financial (or money) amount of net assets at the beginning of the period, after excluding any distributions to, and contributions from, owners during the period. Financial capital maintenance can be measured in either nominal monetary units or units of constant purchasing power.

(b) *Physical capital maintenance*. Under this concept a profit is earned only if the physical productive capacity (or operating capability) of the entity (or the resources or funds needed to achieve that capacity) at the end of the period exceeds the physical productive capacity at the beginning of the period, after excluding any distributions to, and contributions from, owners during the period.

4.60 The concept of capital maintenance is concerned with how an entity defines the capital that it seeks to maintain. It provides the linkage between the concepts of capital and the concepts of profit because it provides the point of reference by which profit is measured; it is a prerequisite for distinguishing between an entity’s return on capital and its return of capital; only inflows of assets in excess of amounts needed

to maintain capital may be regarded as profit and therefore as a return on capital. Hence, profit is the residual amount that remains after expenses (including capital maintenance adjustments, where appropriate) have been deducted from income. If expenses exceed income the residual amount is a loss.

4.61 The physical capital maintenance concept requires the adoption of the current cost basis of measurement. The financial capital maintenance concept, however, does not require the use of a particular basis of measurement. Selection of the basis under this concept is dependent on the type of financial capital that the entity is seeking to maintain.

4.62 The principal difference between the two concepts of capital maintenance is the treatment of the effects of changes in the prices of assets and liabilities of the entity. In general terms, an entity has maintained its capital if it has as much capital at the end of the period as it had at the beginning of the period. Any amount over and above that required to maintain the capital at the beginning of the period is profit.

4.63 Under the concept of financial capital maintenance where capital is defined in terms of nominal monetary units, profit represents the increase in nominal money capital over the period. Thus, increases in the prices of assets held over the period, conventionally referred to as holding gains, are, conceptually, profits. They may not be recognised as such, however, until the assets are disposed of in an exchange transaction. When the concept of financial capital maintenance is defined in terms of constant purchasing power units, profit represents the increase in invested purchasing power over the period. Thus, only that part of the increase in the prices of assets that exceeds the increase in the general level of prices is regarded as profit. The rest of the increase is treated as a capital maintenance adjustment and, hence, as part of equity.

4.64 Under the concept of physical capital maintenance when capital is defined in terms of the physical productive capacity, profit represents the increase in that capital over the period. All price changes affecting the assets and liabilities of the entity are viewed as changes in the measurement of the physical productive capacity of the entity; hence, they are treated as capital maintenance adjustments that are part of equity and not as profit.

4.65 The selection of the measurement bases and concept of capital maintenance will determine the accounting model used in the

preparation of the financial statements. Different accounting models exhibit different degrees of relevance and reliability and, as in other areas, management must seek a balance between relevance and reliability. This *Conceptual Framework* is applicable to a range of accounting models and provides guidance on preparing and presenting the financial statements constructed under the chosen model. At the present time, it is not the intention of the Council to prescribe a particular model other than in exceptional circumstances, such as for those entities reporting in the currency of a hyperinflationary economy. This intention will, however, be reviewed in the light of world developments.

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

SLFRS 9 will be effective from 1 st January 2015 (earlier application is permitted)

Changes contained in this document have been stipulated based on the assumption that the first time adopter will directly apply SLFRS 9. However, if the entity adopts LKAS 39, in their first time adoption of SLFRSs, they should read it with reference to LKAS 39

Standard	Existing Para Reference	Replaced /added paragraph
SLFRS 1	Para 12(a)	Para 12 (a) (a) paragraphs 14–17 and Appendix B prohibit retrospective application of some aspects of other SLFRSs.
	Para 27 Not included	Para 27 LKAS 8 does not apply to the changes in accounting policies an entity makes when it adopts SLFRSs or to changes in those policies until after it presents its first SLFRS financial statements. Therefore, LKAS 8's requirements about changes in accounting policies do not apply in an entity's first SLFRS financial statements Para 27A If during the period covered by its first SLFRS financial statements an entity changes its accounting policies or its use of the exemptions contained in this SLFRS, it shall explain the changes between its first SLFRS interim financial report and its first SLFRS financial statements, in accordance with paragraph 23, and it shall update the reconciliations required by paragraph 24(a) and (b).
	Para 29	Para 29

		An entity is permitted to designate a previously recognised financial asset as a financial asset measured at fair value through profit or loss in accordance with paragraph D19A. The entity shall disclose the fair value of financial assets so designated at the date of designation and their classification and carrying amount in the previous financial statements. Para 29A An entity is permitted to designate a previously recognised financial liability as a financial liability at fair value through profit or loss in accordance with paragraph D19. The entity shall disclose the fair value of financial liabilities so designated at the date of designation and their classification and carrying amount in the previous financial statements.
	Not included	**Use of deemed cost for oil and gas assets** Para 31A If an entity uses the exemption in paragraph D8A(b) for oil and gas assets, it shall disclose that fact and the basis on which carrying amounts determined under previous GAAP were allocated. **Use of deemed cost for operations subject to rate regulation** Para 31B If an entity uses the exemption in paragraph D8B for operations subject to rate regulation, it shall disclose that fact and the basis on which carrying amounts were determined under previous GAAP. **Use of deemed cost after severe hyperinflation** Para 31C If an entity elects to measure assets and liabilities at fair value and to use that fair value as the deemed cost in its opening SLFRS statement of financial position because of severe hyperinflation (see

		paragraphs D26–D30), the entity's first SLFRS financial statements shall disclose an explanation of how, and why, the entity had, and then ceased to have, a functional currency that has both of the following characteristics: (a) a reliable general price index is not available to all entities with transactions and balances in the currency. (b) exchangeability between the currency and a relatively stable foreign currency does not exist.
	Not included	Para 32 (c) (c) If an entity changes its accounting policies or its use of the exemptions contained in this SLFRS, it shall explain the changes in each such interim financial report in accordance with paragraph 23 and update the reconciliations required by (a) and (b).
	Appendix B Para B1	Para B1 An entity shall apply the following exceptions: (a) derecognition of financial assets and financial liabilities (paragraphs B2 and B3); (b) hedge accounting (paragraphs B4–B6); (c) non-controlling interests (paragraph B7); (d) classification and measurement of financial assets (paragraph B8); and (e) embedded derivatives (paragraph B9).
	Para B2	Para B2 Except as permitted by paragraph B3, a first-time adopter shall apply the derecognition requirements in SLFRS 9 prospectively for transactions occurring on or after the date of transition to SLFRSs. For example, if a first-time adopter derecognised non-derivative financial assets or non-derivative financial liabilities in accordance with its previous GAAP as a result of a transaction that occurred before the date

		of transition to SLFRSs, it shall not recognise those assets and liabilities in accordance with SLFRSs (unless they qualify for recognition as a result of a later transaction or event).
	Para B3	Para B3 Despite paragraph B2, an entity may apply the derecognition requirements in SLFRS 9 retrospectively from a date of the entity's choosing, provided that the information needed to apply SLFRS 9 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.
	Para B4	Para B4 As required by SLFRS 9, at the date of transition to SLFRSs, an entity shall: (a) measure all derivatives at fair value; and (b) eliminate all deferred losses and gains arising on derivatives that were reported in accordance with previous GAAP as if they were assets or liabilities.
	Para B5	Para B5 An entity shall not reflect in its opening SLFRS statement of financial position a hedging relationship of a type that does not qualify for hedge accounting in accordance with LKAS 39 (for example, many hedging relationships where the hedging instrument is a cash instrument or written option; or where the hedged item is a net position). However, if an entity designated a net position as a hedged item in accordance with previous GAAP, it may designate an individual item within that net position as a hedged item in accordance with SLFRSs, provided that it does so no later than the date of transition to SLFRSs.
	Not included	**Classification and measurement of financial assets**

		Para B8 An entity shall assess whether a financial asset meets the conditions in paragraph 4.1.2 of SLFRS 9 on the basis of the facts and circumstances that exist at the date of transition to SLFRSs. **Embedded derivatives** Para B9 A first-time adopter shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed at the later of the date it first became a party to the contract and the date a reassessment is required by paragraph B4.3.11 of SLFRS 9.
	Appendix D Para D1	Para D1 An entity may elect to use one or more of the following exemptions: (a) share-based payment transactions (paragraphs D2 and D3); (b) insurance contracts (paragraph D4); (c) deemed cost (paragraphs D5–D8B); (d) leases (paragraphs D9 and D9A); (e) employee benefits (paragraphs D10 and D11); (f) cumulative translation differences (paragraphs D12 and D13); (g) investments in subsidiaries, jointly controlled entities and associates (paragraphs D14 and D15); (h) assets and liabilities of subsidiaries, associates and joint ventures (paragraphs D16 and D17);

		(i) compound financial instruments (paragraph D18); (j) designation of previously recognised financial instruments (paragraphs D19–D19D); (k) fair value measurement of financial assets or financial liabilities at initial recognition (paragraph D20); (l) decommissioning liabilities included in the cost of property, plant and equipment (paragraphs D21 and D21A); (m) financial assets or intangible assets accounted for in accordance with IFRIC 12 *Service Concession Arrangements* (paragraph D22); (n) borrowing costs (paragraph D23); (o) transfers of assets from customers (paragraph D24); (p) extinguishing financial liabilities with equity instruments (paragraph D25); and (q) severe hyperinflation (paragraphs D26–D30). An entity shall not apply these exemptions by analogy to other items.
	Not included	Para D2 A first-time adopter is encouraged, but not required, to apply SLFRS 2 *Share-based Payment* to equity instruments that were granted on or before 1 January, 2011. A first-time adopter is also encouraged, but not required, to apply SLFRS 2 to equity instruments that were granted after 1 January, 2012 and vested before the later of (a) the date of transition to SLFRSs and (b) 1 January, 2012. However, if a first-time adopter elects to apply SLFRS 2 to such equity instruments, it may do so only if the entity has disclosed publicly the fair value

		of those equity instruments, determined at the measurement date, as defined in SLFRS 2. For all grants of equity instruments to which SLFRS 2 has not been applied (eg equity instruments granted on or before 1 January, 2011), a first-time adopter shall nevertheless disclose the information required by paragraphs 44 and 45 of SLFRS 2. If a first-time adopter modifies the terms or conditions of a grant of equity instruments to which SLFRS 2 has not been applied, the entity is not required to apply paragraphs 26–29 of SLFRS 2 if the modification occurred before the date of transition to SLFRSs.
	Not included	Para D3 A first-time adopter is encouraged, but not required, to apply SLFRS 2 to liabilities arising from share-based payment transactions that were settled before the date of transition to SLFRSs. A first-time adopter is also encouraged, but not required, to apply SLFRS 2 to liabilities that were settled before 1 January, 2012. For liabilities to which IFRS 2 is applied, a first-time adopter is not required to restate comparative information to the extent that the information relates to a period or date that is earlier than 1 January, 2012.
	Fair value or revaluation as deemed cost	**Deemed cost**
	Para D8	Para D8 A first-time adopter may have established a deemed cost in accordance with previous GAAP for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event such as a privatization or initial public offering. (a) If the measurement date is *at or before* the date of transition to SLFRSs, the entity may use such event-driven fair value measurements as deemed cost for SLFRSs at the date of that measurement.

		(b) If the measurement date is *after* the date of transition to SLFRSs, but during the period covered by the first SLFRS financial statements, the event-driven fair value measurements may be used as deemed cost when the event occurs. An entity shall recognise the resulting adjustments directly in retained earnings (or if appropriate, another category of equity) at the measurement date. At the date of transition to SLFRSs, the entity shall either establish the deemed cost by applying the criteria in paragraphs D5–D7 or measure assets and liabilities in accordance with the other requirements in this SLFRS. Para D8A Under some national accounting requirements exploration and development costs for oil and gas properties in the development or production phases are accounted for in cost centres that include all properties in a large geographical area. A first-time adopter using such accounting under previous GAAP may elect to measure oil and gas assets at the date of transition to SLFRSs on the following basis: (a) exploration and evaluation assets at the amount determined under the entity's previous GAAP; and (b) assets in the development or production phases at the amount determined for the cost centre under the entity's previous GAAP. The entity shall allocate this amount to the cost centre's underlying assets pro rata using reserve volumes or reserve values as of that date. The entity shall test exploration and evaluation assets and assets in the development and production phases for impairment at the date of transition to SLFRSs in accordance with SLFRS 6 *Exploration for and Evaluation of Mineral Resources* or LKAS 36 respectively and, if necessary, reduce the amount

		determined in accordance with (a) or (b) above. For the purposes of this paragraph, oil and gas assets comprise only those assets used in the exploration, evaluation, development or production of oil and gas. Para D8B Some entities hold items of property, plant and equipment or intangible assets that are used, or were previously used, in operations subject to rate regulation. The carrying amount of such items might include amounts that were determined under previous GAAP but do not qualify for capitalisation in accordance with SLFRSs. If this is the case, a first-time adopter may elect to use the previous GAAP carrying amount of such an item at the date of transition to SLFRSs as deemed cost. If an entity applies this exemption to an item, it need not apply it to all items. At the date of transition to SLFRSs, an entity shall test for impairment in accordance with LKAS 36 each item for which this exemption is used. For the purposes of this paragraph, operations are subject to rate regulation if they provide goods or services to customers at prices (ie rates) established by an authorised body empowered to establish rates that bind the customers and that are designed to recover the specific costs the entity incurs in providing the regulated goods or services and to earn a specified return. The specified return could be a minimum or range and need not be a fixed or guaranteed return.
	Not included	Para D9A If a first-time adopter made the same determination of whether an arrangement contained a lease in accordance with previous GAAP as that required by IFRIC 4 but at a date other than that required by IFRIC 4, the first-time adopter need not reassess that determination when it adopts SLFRSs. For an entity to have made the same determination of whether the arrangement contained a lease in accordance with previous GAAP, that determination would have to have given the same outcome as that resulting from

		applying LKAS 17 *Leases* and IFRIC 4.
	Para D14	Para D14 When an entity prepares separate financial statements, LKAS 27 requires it to account for its investments in subsidiaries, jointly controlled entities and associates either: (a) at cost; or (b) in accordance with SLFRS 9.
	Para D15	Para D15 If a first-time adopter measures such an investment at cost in accordance with LKAS 27, it shall measure that investment at one of the following amounts in its separate opening SLFRS statement of financial position: (a) cost determined in accordance with LKAS 27; or (b) deemed cost. The deemed cost of such an investment shall be its: (i) fair value (determined in accordance with SLFRS 9) at the entity's date of transition to SLFRSs in its separate financial statements; or (ii) previous GAAP carrying amount at that date. A first-time adopter may choose either (i) or (ii) above to measure its investment in each subsidiary, jointly controlled entity or associate that it elects to measure using a deemed cost.
	Para D19	Para D19 SLFRS 9 permits a financial liability (provided it meets certain criteria) to be designated as a financial liability at fair value through profit or loss. Despite this requirement an entity is permitted to designate, at the date of transition to SLFRSs, any financial liability as at fair value through profit or loss provided the liability meets the criteria in paragraph

		4.2.2 of SLFRS 9 at that date. **New Para had been added as follows:** Para D19A An entity may designate a financial asset as measured at fair value through profit or loss in accordance with paragraph 4.1.5 of SLFRS 9 on the basis of the facts and circumstances that exist at the date of transition to SLFRSs. Para D19B An entity may designate an investment in an equity instrument as at fair value through other comprehensive income in accordance with paragraph 5.7.5 of SLFRS 9 on the basis of the facts and circumstances that exist at the date of transition to SLFRSs. Para D19C If it is impracticable (as defined in LKAS 8) for an entity to apply retrospectively the effective interest method or the impairment requirements in paragraphs 58–65 and AG84–AG93 of LKAS 39, the fair value of the financial asset at the date of transition to SLFRSs shall be the new amortised cost of that financial asset at the date of transition to SLFRSs. Para D19D An entity shall determine whether the treatment in paragraph 5.7.7 of SLFRS 9 would create an accounting mismatch in profit or loss on the basis of the facts and circumstances that exist at the date of transition to SLFRSs.
	Not included	Para D20 Despite the requirements of paragraphs 7 and 9, an entity may apply the requirements in the last sentence of paragraph B5.4.8 and in paragraph B5.4.9 of SLFRS 9 prospectively to transactions entered into on or after the date of transition to SLFRSs.

	Not included	Para D21A An entity that uses the exemption in paragraph D8A(b) (for oil and gas assets in the development or production phases accounted for in cost centres that include all properties in a large geographical area under previous GAAP) shall, instead of applying paragraph D21 or IFRIC 1: (a) measure decommissioning, restoration and similar liabilities as at the date of transition to SLFRSs in accordance with LKAS 37; and (b) recognise directly in retained earnings any difference between that amount and the carrying amount of those liabilities at the date of transition to SLFRSs determined under the entity's previous GAAP.
	Not included	Para D23 A first-time adopter may apply the transitional provisions set out in paragraphs 27 and 28 of LKAS 23. In those paragraphs references to the effective date shall be interpreted as 1 January, 2012 or the date of transition to SLFRSs, whichever is later.
	Not included	**Transfers of assets from customers** Para D24 A first-time adopter may apply the transitional provisions set out in paragraph 22 of IFRIC 18 *Transfers of Assets from Customers*. In that paragraph, reference to the effective date shall be interpreted as 1 January 2012 or the date of transition to SLFRSs, whichever is later. In addition, a first-time adopter may designate any date before the date of transition to SLFRSs and apply IFRIC 18 to all transfers of assets from customers received on or after that date.
	Not included	**Extinguishing financial liabilities with equity instruments** Para D25 A first-time adopter may apply the transitional provisions in IFRIC 19 *Extinguishing Financial*

		Liabilities with Equity Instruments.
	Not included	**Severe hyperinflation** Para D26 If an entity has a functional currency that was, or is, the currency of a hyperinflationary economy, it shall determine whether it was subject to severe hyperinflation before the date of transition to SLFRSs. This applies to entities that are adopting SLFRSs for the first time, as well as entities that have previously applied SLFRSs. Para D27 The currency of a hyperinflationary economy is subject to severe hyperinflation if it has both of the following characteristics: (a) a reliable general price index is not available to all entities with transactions and balances in the currency. (b) exchangeability between the currency and a relatively stable foreign currency does not exist. Para D28 The functional currency of an entity ceases to be subject to severe hyperinflation on the functional currency normalisation date. That is the date when the functional currency no longer has either, or both, of the characteristics in paragraph D27, or when there is a change in the entity's functional currency to a currency that is not subject to severe hyperinflation. Para D29 When an entity's date of transition to SLFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to SLFRSs. The entity may use that fair value as the deemed cost of those assets and

		liabilities in the opening SLFRS statement of financial position. Para D30 When the functional currency normalisation date falls within a 12-month comparative period, the comparative period may be less than 12 months, provided that a complete set of financial statements (as required by paragraph 10 of LKAS 1) is provided for that shorter period.
	Not included	**Appendix E** **Short-term exemptions from SLFRSs** *This appendix is an integral part of the SLFRS.* **Exemption from the requirement to restate comparative information for SLFRS 9** E1 In its first SLFRS financial statements, an entity that (a) adopts SLFRSs for annual periods beginning before 1 January 2015 and (b) applies SLFRS 9 shall present at least one year of comparative information. However, this comparative information need not comply with SLFRS 7 *Financial Instruments: Disclosures* or SLFRS 9, to the extent that the disclosures required by SLFRS 7 relate to items within the scope of SLFRS 9. For such entities, references to the 'date of transition to SLFRSs' shall mean, in the case of SLFRS 7 and SLFRS 9 only, the beginning of the first SLFRS reporting period. E2 An entity that chooses to present comparative information that does not comply with SLFRS 7 and SLFRS 9 in its first year of transition shall: (a) apply the recognition and measurement requirements of its previous GAAP in place of the requirements of SLFRS 9 to comparative information about items within the scope of SLFRS 9.

		(b) disclose this fact together with the basis used to prepare this information. (c) treat any adjustment between the statement of financial position at the comparative period's reporting date (ie the statement of financial position that includes comparative information under previous GAAP) and the statement of financial position at the start of the *first SLFRS reporting period* (ie the first period that includes information that complies with SLFRS 7 and SLFRS 9) as arising from a change in accounting policy and give the disclosures required by paragraph 28(a)–(e) and (f)(i) of LKAS 8. Paragraph 28(f)(i) applies only to amounts presented in the statement of financial position at the comparative period's reporting date. (d) apply paragraph 17(c) of LKAS 1 to provide additional disclosures when compliance with the specific requirements in SLFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

SLFRS 2 – Share-based Payment

Standard	Existing Para Reference	Replaced /added paragraph
SLFRS 02	Para 02	Para 02 An entity shall apply this SLFRS in accounting for all share-based payment transactions, whether or not the entity can identify specifically some or all of the goods or services received, including: (a) *equity-settled share-based payment transactions*, (b) *cash-settled share-based payment transactions*, and (c) transactions in which the entity receives or acquires goods or services and the terms of the arrangement provide either the entity or the supplier of those goods or services with a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, except as noted in paragraphs 3A–6. In the absence of specifically identifiable goods or services, other circumstances may indicate that goods or services have been (or will be) received, in which case this SLFRS applies.
	Para 03	"Deleted"
		New Para has been added as follows. Para 3A A share-based payment transaction may be settled by another group entity (or a shareholder of any group entity) on behalf of the entity receiving or acquiring the goods or services. Paragraph 2 also applies to an entity that (a) receives goods or services when another entity in the same group (or a shareholder of any group entity) has the obligation to settle the

		share-based payment transaction, or (b) has an obligation to settle a share-based payment transaction when another entity in the same group receives the goods or services unless the transaction is clearly for a purpose other than payment for goods or services supplied to the entity receiving them.
	Para 05	Para 05 As noted in paragraph 2, this SLFRS applies to share-based payment transactions in which an entity acquires or receives goods or services. Goods include inventories, consumables, property, plant and equipment, intangible assets and other non-financial assets. However, an entity shall not apply this SLFRS to transactions in which the entity acquires goods as part of the net assets acquired in a business combination as defined by SLFRS 3 *Business Combinations*, in a combination of entities or businesses under common control as described in paragraphs B1–B4 of SLFRS 3, or the contribution of a business on the formation of a joint venture as defined by LKAS 31 *Interests in Joint Ventures*. Hence, equity instruments issued in a business combination in exchange for control of the acquiree are not within the scope of this SLFRS. However, equity instruments granted to employees of the acquiree in their capacity as employees (eg in return for continued service) are within the scope of this SLFRS. Similarly, the cancellation, replacement or other modification of *share-based payment arrangements* because of a business combination or other equity restructuring shall be accounted for in accordance with this SLFRS. SLFRS 3 provides guidance on determining whether equity instruments issued in a business combination are part of the consideration transferred in exchange for control of the acquire (and therefore within the scope of SLFRS 3) or are in return for continued service to be recognised in the post-combination period (and therefore within the scope of this SLFRS).

	Para 13	***New Para has been added as follows.*** Para 13A In particular, if the identifiable consideration received (if any) by the entity appears to be less than the fair value of the equity instruments granted or liability incurred, typically this situation indicates that other consideration (ie unidentifiable goods or services) has been (or will be) received by the entity. The entity shall measure the identifiable goods or services received in accordance with this SLFRS. The entity shall measure the unidentifiable goods or services received (or to be received) as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received). The entity shall measure the unidentifiable goods or services received at the grant date. However, for cash-settled transactions, the liability shall be remeasured at the end of each reporting period until it is settled in accordance with paragraphs 30–33.
	Para 43	***New Para has been added as follows.*** **Share-based payment transactions among group entities** Para 43A For share-based payment transactions among group entities, in its separate or individual financial statements, the entity receiving the goods or services shall measure the goods or services received as either an equity-settled or a cash-settled share-based payment transaction by assessing: (a) the nature of the awards granted, and (b) its own rights and obligations. The amount recognised by the entity receiving the goods or services may differ from the amount recognised by the consolidated group or by another group entity settling the share-based payment

		transaction. Para 43B The entity receiving the goods or services shall measure the goods or services received as an equity-settled share-based payment transaction when: (a) the awards granted are its own equity instruments, or (b) the entity has no obligation to settle the share-based payment transaction. The entity shall subsequently remeasure such an equity-settled share-based payment transaction only for changes in non-market vesting conditions in accordance with paragraphs 19–21. In all other circumstances, the entity receiving the goods or services shall measure the goods or services received as a cash-settled share-based payment transaction. Para 43C The entity settling a share-based payment transaction when another entity in the group receives the goods or services shall recognise the transaction as an equity-settled share-based payment transaction only if it is settled in the entity's own equity instruments. Otherwise, the transaction shall be recognised as a cash-settled share-based payment transaction. Para 43D Some group transactions involve repayment arrangements that require one group entity to pay another group entity for the provision of the share-based payments to the suppliers of goods or services. In such cases, the entity that receives the goods or services shall account for the share-based payment transaction in accordance with paragraph 43B regardless of intragroup repayment arrangements.

	Appendix B	***New Para has been added as follows.*** **Share-based payment transactions among group entities** B45 Paragraphs 43A–43C address the accounting for share-based payment transactions among group entities in each entity's separate or individual financial statements. Paragraphs B46–B61 discuss how to apply the requirements in paragraphs 43A–43C. As noted in paragraph 43D, share-based payment transactions among group entities may take place for a variety of reasons depending on facts and circumstances. Therefore, this discussion is not exhaustive and assumes that when the entity receiving the goods or services has no obligation to settle the transaction, the transaction is a parent's equity contribution to the subsidiary, regardless of any intragroup repayment arrangements. Para B46 Although the discussion below focuses on transactions with employees, it also applies to similar share-based payment transactions with suppliers of goods or services other than employees. An arrangement between a parent and its subsidiary may require the subsidiary to pay the parent for the provision of the equity instruments to the employees. The discussion below does not address how to account for such an intragroup payment arrangement. Para B47 Four issues are commonly encountered in share-based payment transactions among group entities. For convenience, the examples below discuss the issues in terms of a parent and its subsidiary.

		Share-based payment arrangements involving an entity's own equity instruments Para B48 The first issue is whether the following transactions involving an entity's own equity instruments should be accounted for as equity-settled or as cash-settled in accordance with the requirements of this SLFRS: (a) an entity grants to its employees rights to equity instruments of the entity (eg share options), and either chooses or is required to buy equity instruments (ie treasury shares) from another party, to satisfy its obligations to its employees; and (b) an entity's employees are granted rights to equity instruments of the entity (eg share options), either by the entity itself or by its shareholders, and the shareholders of the entity provide the equity instruments needed. Para B49 The entity shall account for share-based payment transactions in which it receives services as consideration for its own equity instruments as equity-settled. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement. It also applies regardless of whether: (a) the employee's rights to the entity's equity instruments were granted by the entity itself or by its shareholder(s); or (b) the share-based payment arrangement was settled by the entity itself or by its shareholder(s). Para B50 If the shareholder has an obligation to settle the

		transaction with its investee's employees, it provides equity instruments of its investee rather than its own. Therefore, if its investee is in the same group as the shareholder, in accordance with paragraph 43C, the shareholder shall measure its obligation in accordance with the requirements applicable to cash-settled share-based payment transactions in the shareholder's separate financial statements and those applicable to equity-settled share-based payment transactions in the shareholder's consolidated financial statements. **Share-based payment arrangements involving equity instruments of the parent** Para B51 The second issue concerns share-based payment transactions between two or more entities within the same group involving an equity instrument of another group entity. For example, employees of a subsidiary are granted rights to equity instruments of its parent as consideration for the services provided to the subsidiary. Para B52 Therefore, the second issue concerns the following share-based payment arrangements: (a) a parent grants rights to its equity instruments directly to the employees of its subsidiary: the parent (not the subsidiary) has the obligation to provide the employees of the subsidiary with the equity instruments; and (b) a subsidiary grants rights to equity instruments of its parent to its employees: the subsidiary has the obligation to provide its employees with the equity instruments.

		A parent grants rights to its equity instruments to the employees of its subsidiary (paragraph B52(a)) Para B53 The subsidiary does not have an obligation to provide its parent's equity instruments to the subsidiary's employees. Therefore, in accordance with paragraph 43B, the subsidiary shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, and recognise a corresponding increase in equity as a contribution from the parent. Para B54 The parent has an obligation to settle the transaction with the subsidiary's employees by providing the parent's own equity instruments. Therefore, in accordance with paragraph 43C, the parent shall measure its obligation in accordance with the requirements applicable to equity-settled share-based payment transactions. *A subsidiary grants rights to equity instruments of its parent to its employees (paragraph B52(b))* Para B55 Because the subsidiary does not meet either of the conditions in paragraph 43B, it shall account for the transaction with its employees as cash-settled. This requirement applies irrespective of how the subsidiary obtains the equity instruments to satisfy its obligations to its employees. **Share-based payment arrangements involving cash-settled payments to employees** Para B56 The third issue is how an entity that receives goods or services from its suppliers (including employees)

		should account for share-based arrangements that are cash-settled when the entity itself does not have any obligation to make the required payments to its suppliers. For example, consider the following arrangements in which the parent (not the entity itself) has an obligation to make the required cash payments to the employees of the entity: (a) the employees of the entity will receive cash payments that are linked to the price of its equity instruments. (b) the employees of the entity will receive cash payments that are linked to the price of its parent's equity instruments. Para B57 The subsidiary does not have an obligation to settle the transaction with its employees. Therefore, the subsidiary shall account for the transaction with its employees as equity-settled, and recognise a corresponding increase in equity as a contribution from its parent. The subsidiary shall remeasure the cost of the transaction subsequently for any changes resulting from non-market vesting conditions not being met in accordance with paragraphs 19–21. This differs from the measurement of the transaction as cash-settled in the consolidated financial statements of the group. Para B58 Because the parent has an obligation to settle the transaction with the employees, and the consideration is cash, the parent (and the consolidated group) shall measure its obligation in accordance with the requirements applicable to cash-settled share-based payment transactions in paragraph 43C. **Transfer of employees between group entities** Para B59 The fourth issue relates to group share-based

		payment arrangements that involve employees of more than one group entity. For example, a parent might grant rights to its equity instruments to the employees of its subsidiaries, conditional upon the completion of continuing service with the group for a specified period. An employee of one subsidiary might transfer employment to another subsidiary during the specified vesting period without the employee's rights to equity instruments of the parent under the original share-based payment arrangement being affected. If the subsidiaries have no obligation to settle the share-based payment transaction with their employees, they account for it as an equity-settled transaction. Each subsidiary shall measure the services received from the employee by reference to the fair value of the equity instruments at the date the rights to those equity instruments were originally granted by the parent as defined in Appendix A, and the proportion of the vesting period the employee served with each subsidiary. Para B60 If the subsidiary has an obligation to settle the transaction with its employees in its parent's equity instruments, it accounts for the transaction as cash-settled. Each subsidiary shall measure the services received on the basis of grant date fair value of the equity instruments for the proportion of the vesting period the employee served with each subsidiary. In addition, each subsidiary shall recognise any change in the fair value of the equity instruments during the employee's service period with each subsidiary. Para B61 Such an employee, after transferring between group entities, may fail to satisfy a vesting condition other than a market condition as defined in Appendix A, eg the employee leaves the group before completing the service period. In this case, because the vesting condition is service to the group, each subsidiary shall adjust the amount previously recognised in respect of the services received from the employee in accordance with the principles in paragraph 19.

		Hence, if the rights to the equity instruments granted by the parent do not vest because of an employee's failure to meet a vesting condition other than a market condition, no amount is recognised on a cumulative basis for the services received from that employee in the financial statements of any group entity.

SLFRS 3-Business Combinations

Standard	Existing Para Reference	Replaced /added paragraph
SLFRS 3	Para 16	Para 16 In some situations, SLFRSs provide for different accounting depending on how an entity classifies or designates a particular asset or liability. Examples of classifications or designations that the acquirer shall make on the basis of the pertinent conditions as they exist at the acquisition date include but are not limited to: (a) classification of particular financial assets and liabilities as measured at fair value or as at amortised cost, in accordance with SLFRS 9 *Financial Instruments*; (b) designation of a derivative instrument as a hedging instrument in accordance with LKAS 39; and (c) assessment of whether an embedded derivative should be separated from a host contract in accordance with SLFRS 9 (which is a matter of 'classification' as this SLFRS uses that term).
	Para 19	Para 19 For each business combination, the acquirer shall measure at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a

		proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by SLFRSs.
	Para 30	**Share-based payment transactions** Para 30 The acquirer shall measure a liability or an equity instrument related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the acquirer in accordance with the method in SLFRS 2 *Share-based Payment* at the acquisition date. (This SLFRS refers to the result of that method as the 'market-based measure' of the share-based payment transaction.)
	Para 42	Para 42 In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate. In prior reporting periods, the acquirer may have recognised changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognised in other comprehensive income shall be recognised on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

	Para 53	Para 53 Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities shall be recognised in accordance with LKAS 32 and SLFRS 9.
	Para 56	Para 56 After initial recognition and until the liability is settled, cancelled or expires, the acquirer shall measure a contingent liability recognised in a business combination at the higher of: (a) the amount that would be recognised in accordance with LKAS 37; and (b) the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with LKAS 18 *Revenue*. This requirement does not apply to contracts accounted for in accordance with SLFRS 9.
	Para 58 (b)	Para 58 (b) Contingent consideration classified as an asset or a liability that: (i) is a financial instrument and is within the scope of SLFRS 9 or LKAS 39 shall be measured at fair value, with any resulting gain or loss recognised either in profit or loss or in other comprehensive income in accordance with SLFRS 9.

		(ii) is not within the scope of SLFRS 9 shall be accounted for in accordance with LKAS 37 or other SLFRSs as appropriate.
	Para B56	Para B56 An acquirer may exchange its share-based payment awards* (replacement awards) for awards held by employees of the acquiree. Exchanges of share options or other share-based payment awards in conjunction with a business combination are accounted for as modifications of share-based payment awards in accordance with SLFRS 2 *Share-based Payment*. If the acquirer replaces the acquiree awards, either all or a portion of the market-based measure of the acquirer's replacement awards shall be included in measuring the consideration transferred in the business combination. Paragraphs B57–B62 provide guidance on how to allocate the market-based measure. However, in situations in which acquiree awards would expire as a consequence of a business combination and if the acquirer replaces those awards when it is not obliged to do so, all of the market-based measure of the replacement awards shall be recognised as remuneration cost in the post-combination financial statements in accordance with SLFRS 2. That is to say, none of the market-based measure of those awards shall be included in measuring the consideration transferred in the business combination. The acquirer is obliged to replace the acquiree awards if the acquiree or its employees have the ability to enforce replacement. For example, for the purposes of applying this guidance, the acquirer is obliged to replace the acquiree's awards if replacement is required by: (a) the terms of the acquisition agreement; (b) the terms of the acquiree's awards; or (c) applicable laws or regulations. * In paragraphs B56–B62 the term 'share-based payment awards' refers to vested or unvested share-based payment transactions.

	Not included	**Equity-settled share-based payment transactions of the acquiree** Para B62A The acquiree may have outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions. If vested, those acquiree share-based payment transactions are part of the non-controlling interest in the acquiree and are measured at their market-based measure. If unvested, they are measured at their market-based measure as if the acquisition date were the grant date in accordance with paragraphs 19 and 30. Para B62B The market-based measure of unvested share-based payment transactions is allocated to the non-controlling interest on the basis of the ratio of the portion of the vesting period completed to the greater of the total vesting period and the original vesting period of the share-based payment transaction. The balance is allocated to post-combination service.

SLFRS 4 – Insurance Contracts

Standard	Existing Para Reference	Replaced /added paragraph
SLFRS 4	Para 3	Para 3 This SLFRS does not address other aspects of accounting by insurers, such as accounting for financial assets held by insurers and financial liabilities issued by insurers (see LKAS 32 *Financial Instruments: Presentation*, LKAS 39 *Financial Instruments: Recognition and Measurement*, SLFRS 7 and SLFRS 9 *Financial Instruments*), except in the transitional provisions in paragraph 45.
	Para 4(d)	(d) financial guarantee contracts unless the issuer

		has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts, in which case the issuer may elect to apply either LKAS 32, SLFRS 7 and SLFRS 9 or this Standard to such financial guarantee contracts. The issuer may make that election contract by contract, but the election for each contract is irrevocable.
	Para 7	Para 7 SLFRS 9 requires an entity to separate some embedded derivatives from their host contract, measure them at *fair value* and include changes in their fair value in profit or loss. SLFRS 9 applies to derivatives embedded in an insurance contract unless the embedded derivative is itself an insurance contract.
	Para 8	Para 8 As an exception to the requirements in SLFRS 9, an insurer need not separate, and measure at fair value, a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate), even if the exercise price differs from the carrying amount of the host *insurance liability*. However, the requirements in SLFRS 9 do apply to a put option or cash surrender option embedded in an insurance contract if the surrender value varies in response to the change in a financial variable (such as an equity or commodity price or index), or a non-financial variable that is not specific to a party to the contract. Furthermore, those requirements also apply if the holder's ability to exercise a put option or cash surrender option is triggered by a change in such a variable (for example, a put option that can be exercised if a stock market index reaches a specified level).
	Para 12(b)	(b) apply SLFRS 9 to the deposit component.
	Para 34 (d)	(d) shall, if the contract contains an embedded derivative within the scope of SLFRS 9, apply

		SLFRS 9 to that embedded derivative.
	Para 35 (a)	(a) if the issuer classifies the entire discretionary participation feature as a liability, it shall apply the liability adequacy test in paragraphs 15–19 to the whole contract (ie both the guaranteed element and the discretionary participation feature). The issuer need not determine the amount that would result from applying SLFRS 9 to the guaranteed element.
	Para 35 (b)	(b) if the issuer classifies part or all of that feature as a separate component of equity, the liability recognised for the whole contract shall not be less than the amount that would result from applying SLFRS 9 to the guaranteed element. That amount shall include the intrinsic value of an option to surrender the contract, but need not include its time value if paragraph 9 exempts that option from measurement at fair value. The issuer need not disclose the amount that would result from applying SLFRS 9 to the guaranteed element, nor need it present that amount separately. Furthermore, the issuer need not determine that amount if the total liability recognised is clearly higher.
	Para 39 (d) (i)	(d) (i) an insurer need not provide the maturity analyses required by paragraph 39(a) and (b) of SLFRS 7 if it discloses information about the estimated timing of the net cash outflows resulting from recognised insurance liabilities instead. This may take the form of an analysis, by estimated timing, of the amounts recognised in the statement of financial position.
	Para 45	Para 45 Notwithstanding paragraph 4.4.1 of SLFRS 9, when an insurer changes its accounting policies for insurance liabilities, it is permitted, but not required, to reclassify some or all of its financial assets so that they are measured at fair value. This reclassification

		is permitted if an insurer changes accounting policies when it first applies this SLFRS and if it makes a subsequent policy change permitted by paragraph 22. The reclassification is a change in accounting policy and LKAS 8 applies.
	Appendix A	**deposit component** A contractual component that is not accounted for as a derivative under SLFRS 9 and would be within the scope of SLFRS 9 if it were a separate instrument.
	Appendix B18 (g)	credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. These contracts could have various legal forms, such as that of a guarantee, some types of letter of credit, a credit derivative default contract or an insurance contract. However, although these contracts meet the definition of an insurance contract, they also meet the definition of a financial guarantee contract in SLFRS 9 and are within the scope of LKAS 32* and SLFRS 9, not this SLFRS (see paragraph 4(d)). Nevertheless, if an issuer of financial guarantee contracts has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts, the issuer may elect to apply either LKAS 32* and SLFRS 9 or this SLFRS to such financial guarantee contracts. ——— *When an entity applies SLFRS 7, the reference to LKAS 32 is replaced by a reference to SLFRS 7.
	B19 (e)	(e) derivatives that expose one party to financial risk but not insurance risk, because they require that party to make payment based solely on changes in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (see SLFRS 9).

	B19 (f)	(f) a credit-related guarantee (or letter of credit, credit derivative default contract or credit insurance contract) that requires payments even if the holder has not incurred a loss on the failure of the debtor to make payments when due (see SLFRS 9).
	B20	Para B20 If the contracts described in paragraph B19 create financial assets or financial liabilities, they are within the scope of SLFRS 9. Among other things, this means that the parties to the contract use what is sometimes called deposit accounting, which involves the following: (a) one party recognises the consideration received as a financial liability, rather than as revenue. (b) the other party recognises the consideration paid as a financial asset, rather than as an expense.

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

Standard	Existing Para Reference	Replaced /added paragraph
SLFRS 5	Not Included	Para 5B This SLFRS specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Disclosures in other SLFRSs do not apply to such assets (or disposal groups) unless those SLFRSs require: (a) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; or

		(b) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of SLFRS 5 and such disclosures are not already provided in the other notes to the financial statements. Additional disclosures about non-current assets (or disposal groups) classified as held for sale or discontinued operations may be necessary to comply with the general requirements of LKAS 1, in particular paragraphs 15 and 125 of that Standard

SLFRS 7 – Financial Instruments: Disclosures

Standard	Para Reference	Replaced by:
SLFRS 7	Para 2	Para 2 The principles in this SLFRS complement the principles for recognising, measuring and presenting financial assets and financial liabilities in LKAS 32 *Financial Instruments: Presentation* and SLFRS 9 *Financial Instruments*.
	Para 3(a)	(a) those interests in subsidiaries, associates or joint ventures that are accounted for in accordance with LKAS 27 *Consolidated and Separate Financial Statements*, LKAS 28 *Investments in Associates* or LKAS 31 *Interests in Joint Ventures*. However, in some cases, LKAS 27, LKAS 28 or LKAS 31 permits an entity to account for an interest in a subsidiary, associate or joint venture using SLFRS 9; in those cases, entities shall apply the requirements of this SLFRS. Entities shall also apply this SLFRS to all derivatives linked to interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in LKAS 32.

	Para 3(d)	(d) insurance contracts as defined in SLFRS 4 *Insurance Contracts*. However, this SLFRS applies to derivatives that are embedded in insurance contracts if SLFRS 9 requires the entity to account for them separately. Moreover, an issuer shall apply this SLFRS to *financial guarantee contracts* if the issuer applies SLFRS 9 in recognising and measuring the contracts, but shall apply SLFRS 4 if the issuer elects, in accordance with paragraph 4(d) of SLFRS 4, to apply SLFRS 4 in recognising and measuring them.
	Para 3(e)	(e) financial instruments, contracts and obligations under share-based payment transactions to which SLFRS 2 *Share-based Payment* applies, except that this SLFRS applies to contracts within the scope of SLFRS 9.
	Para 4	Para 4 This SLFRS applies to recognised and unrecognised financial instruments. Recognised financial instruments include financial assets and financial liabilities that are within the scope of SLFRS 9. Unrecognised financial instruments include some financial instruments that, although outside the scope of SLFRS 9, are within the scope of this SLFRS (such as some loan commitments).
	Para 5	Para 5 This SLFRS applies to contracts to buy or sell a non-financial item that are within the scope of SLFRS 9.
	Para 8	Para 8 The carrying amounts of each of the following categories, as specified in SLFRS 9, shall be disclosed either in the statement of financial position or in the notes: (a) financial assets measured at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those mandatorily measured at fair value in accordance with SLFRS 9.

		(b)–(d) [deleted] (e) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those that meet the definition of held for trading in SLFRS 9. (f) financial assets measured at amortised cost. (g) financial liabilities measured at amortised cost. (h) financial assets measured at fair value through other comprehensive income.
	Para 9	Para 9 If the entity has designated as measured at fair value a financial asset (or group of financial assets) that would otherwise be measured at amortised cost, it shall disclose: (a) the maximum exposure to *credit risk* (see paragraph 36(a)) of the financial asset (or group of financial assets) at the end of the reporting period. (b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk. (c) the amount of change, during the period and cumulatively, in the fair value of the financial asset (or group of financial assets) that is attributable to changes in the credit risk of the financial asset determined either: (i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to *market risk* ; or (ii) using an alternative method the entity believes more faithfully represents the

		amount of change in its fair value that is attributable to changes in the credit risk of the asset. Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates. (d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the financial asset was designated.
	Para 10	Para 10 If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of SLFRS 9 and is required to present the effects of changes in that liability's credit risk in other comprehensive income (see paragraph 5.7.7 of SLFRS 9), it shall disclose: (a) the amount of change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13–B5.7.20 of SLFRS 9 for guidance on determining the effects of changes in a liability's credit risk). (b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation. (c) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers. (b) if a liability is derecognised during the period, the amount (if any) presented in other comprehensive income that was realised at derecognition.

	Not included	Para 10A If an entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of SLFRS 9 and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in profit or loss (see paragraphs 5.7.7 and 5.7.8 of SLFRS 9), it shall disclose: (a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13–B5.7.20 of SLFRS 9 for guidance on determining the effects of changes in a liability's credit risk); and (b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.
	Para 11	Para 11 The entity shall also disclose: (a) a detailed description of the methods used to comply with the requirements in paragraphs 9(c), 10(a) and 10A(a) and paragraph 5.7.7(a) of SLFRS 9, including an explanation of why the method is appropriate. (b) if the entity believes that the disclosure it has given, either in the statement of financial position or in the notes, to comply with the requirements in paragraph 9(c), 10(a) or 10A(a) or paragraph 5.7.7(a) of SLFRS 9 does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.

		(c) a detailed description of the methodology or methodologies used to determine whether presenting the effects of changes in a liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss (see paragraphs 5.7.7 and 5.7.8 of SLFRS 9). If an entity is required to present the effects of changes in a liability's credit risk in profit or loss (see paragraph 5.7.8 of SLFRS 9), the disclosure must include a detailed description of the economic relationship described in paragraph B5.7.6 of SLFRS 9. Financial assets measured at fair value through other comprehensive income
	Not included	**Financial assets measured at fair value through other comprehensive income** Para 11A If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by paragraph 5.7.5 of SLFRS 9, it shall disclose: (a) which investments in equity instruments have been designated to be measured at fair value through other comprehensive income. (b) the reasons for using this presentation alternative. (c) the fair value of each such investment at the end of the reporting period. (d) dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period. (e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.

	Not included	Para 11B If an entity derecognised investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose: (a) the reasons for disposing of the investments. (b) the fair value of the investments at the date of derecognition. (c) the cumulative gain or loss on disposal.
	12–12A	[Deleted]
	Not included	Para 12B An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.4.1 of SLFRS 9. For each such event, an entity shall disclose: (a) the date of reclassification. (b) a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements. (c) the amount reclassified into and out of each category.
	Not included	Para 12C For each reporting period following reclassification until derecognition, an entity shall disclose for assets reclassified so that they are measured at amortised cost in accordance with paragraph 4.4.1 of SLFRS 9: (a) the effective interest rate determined on the date of reclassification; and (b) the interest income or expense recognised.

	Not included	Para 12D If an entity has reclassified financial assets so that they are measured at amortised cost since its last annual reporting date, it shall disclose: (a) the fair value of the financial assets at the end of the reporting period; and (b) the fair value gain or loss that would have been recognised in profit or loss during the reporting period if the financial assets had not been reclassified.
	Para 13	[Deleted]
	Para 14 (a)	(a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 3.3.23(a) of SLFRS 9; and
	Para 20	Para 20 An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes: (a) net gains or net losses on: (i) financial assets or financial liabilities measured at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition, and those on financial assets or financial liabilities that are mandatorily measured at fair value in accordance with SLFRS 9 (eg financial liabilities that meet the definition of held for trading in SLFRS 9). For financial liabilities designated as at fair value through profit or loss, an entity shall show separately the amount of gain or loss recognised in other comprehensive income

		and the amount recognised in profit or loss. (ii)–(iv) [deleted] (v) financial liabilities measured at amortised cost. (vi) financial assets measured at amortised cost. (vii) financial assets measured at fair value through other comprehensive income. (b) total interest income and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or financial liabilities not at fair value through profit or loss. (c) fee income and expense (other than amounts included in determining the effective interest rate) arising from: (i) financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss; and (ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions. (d) interest income on impaired financial assets accrued in accordance with paragraph AG93 of LKAS 39 *Financial Instruments: Recognition and Measurement*. (e) the amount of any impairment loss for each class of financial asset.
	Not included	Para 20A An entity shall disclose an analysis of the gain or loss recognised in the statement of comprehensive

		income arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure shall include the reasons for derecognising those financial assets.
	Para 27	An entity shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it.
	Not included	Para 27A To make the disclosures required by paragraph 27B an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an

		input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.
	Not included	Para 27B For fair value measurements recognised in the statement of financial position an entity shall disclose for each class of financial instruments: (a) the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in paragraph 27A. (b) any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. Transfers into each level shall be disclosed and discussed separately from transfers out of each level. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities. (c) for fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the beginning balances to the ending balances, disclosing separately changes during the period attributable to the following: (i) total gains or losses for the period recognised in profit or loss, and a description of where they are presented in the statement of comprehensive income or the separate income statement (if presented); (ii) total gains or losses recognised in other

		comprehensive income; (iii) purchases, sales, issues and settlements (each type of movement disclosed separately); and (iv) transfers into or out of Level 3 (eg transfers attributable to changes in the observability of market data) and the reasons for those transfers. For significant transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3. (d) the amount of total gains or losses for the period in (c)(i) above included in profit or loss that are attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period and a description of where those gains or losses are presented in the statement of comprehensive income or the separate income statement (if presented). (e) for fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to a reasonably possible alternative assumption was calculated. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognized in other comprehensive income, total equity. An entity shall present the quantitative disclosures required by this paragraph in tabular format unless another format is more appropriate.
	Para 28	Para 28 If the market for a financial instrument is not active,

		an entity establishes its fair value using a valuation technique (see paragraphs B5.4.6–B5.4.12 of SLFRS 9). Nevertheless, the best evidence of fair value at initial recognition is the transaction price (ie the fair value of the consideration given or received), unless the conditions described in paragraph B5.4.8 of SLFRS 9 are met. It follows that there could be a difference between the fair value at initial recognition and the amount that would be determined at that date using the valuation technique. If such a difference exists, an entity shall disclose, by class of financial instrument: (a) its accounting policy for recognising that difference in profit or loss to reflect a change in factors (including time) that market participants would consider in setting a price (see paragraph B5.4.9 of SLFRS 9); and (b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference.
	Para 29	Para 29 Disclosures of fair value are not required: (a) when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables; (b) [deleted] (c) for a contract containing a discretionary participation feature (as described in SLFRS 4) if the fair value of that feature cannot be measured reliably.
	Para 30	Para 30 In the cases described in paragraph 29(c), an entity shall disclose information to help users of the financial statements make their own judgements

		about the extent of possible differences between the carrying amount of those contracts and their fair value, including: (a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably; (b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably; (c) information about the market for the instruments; (d) information about whether and how the entity intends to dispose of the financial instruments; and (e) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.
	Not included	Para 32A Providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate an entity's exposure to risks.
	Para 34	Para 34 For each type of risk arising from financial instruments, an entity shall disclose: (a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information

		provided internally to key management personnel of the entity (as defined in LKAS 24 *Related Party Disclosures*), for example the entity's board of directors or chief executive officer. (b) the disclosures required by paragraphs 36–42, to the extent not provided in accordance with (a). (c) concentrations of risk if not apparent from the disclosures made in accordance with (a) and (b).
	Para 36	Para 36 An entity shall disclose by class of financial instrument: (a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with LKAS 32); this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk. (b) a description of collateral held as security and of other credit enhancements, and their financial effect (eg a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument). (c) information about the credit quality of financial assets that are neither *past due* nor impaired. (d) [deleted]
	Para 37	Para 37 An entity shall disclose by class of financial asset:

		(a) an analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired; and (b) an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired. (c) [deleted]
	Para 38	Para 38 When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (eg guarantees), and such assets meet the recognition criteria in other SLFRSs, an entity shall disclose for such assets held at the reporting date: (a) the nature and carrying amount of the assets; and (b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.
	Para 39	Para 39 An entity shall disclose: (a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities. (b) a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows (see paragraph B11B).

		(c) a description of how it manages the liquidity risk inherent in (a) and (b).
	Not included	**Transfers of financial assets** Para 42A The disclosure requirements in paragraphs 42B–42H relating to transfers of financial assets supplement the other disclosure requirements of this SLFRS. An entity shall present the disclosures required by paragraphs 42B–42H in a single note in its financial statements. An entity shall provide the required disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. For the purposes of applying the disclosure requirements in those paragraphs, an entity transfers all or a part of a financial asset (the transferred financial asset) if, and only if, it either: (a) transfers the contractual rights to receive the cash flows of that financial asset; or (b) retains the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.
	Not included	Para 42B An entity shall disclose information that enables users of its financial statements: (a) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and (b) to evaluate the nature of, and risks associated with, the entity's continuing involvement in

		derecognised financial assets.
	Not included	Para 42C For the purposes of applying the disclosure requirements in paragraphs 42E–42H, an entity has continuing involvement in a transferred financial asset if, as part of the transfer, the entity retains any of the contractual rights or obligations inherent in the transferred financial asset or obtains any new contractual rights or obligations relating to the transferred financial asset. For the purposes of applying the disclosure requirements in paragraphs 42E–42H, the following do not constitute continuing involvement: (a) normal representations and warranties relating to fraudulent transfer and concepts of reasonableness, good faith and fair dealings that could invalidate a transfer as a result of legal action; (b) forward, option and other contracts to reacquire the transferred financial asset for which the contract price (or exercise price) is the fair value of the transferred financial asset; or (c) an arrangement whereby an entity retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay the cash flows to one or more entities and the conditions in paragraph 3.2.5(a)–(c) of SLFRS 9 are met.
	Not included	**Transferred financial assets that are not derecognised in their entirety** Para 42D An entity may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. To meet the objectives set out in paragraph 42B(a), the entity

		shall disclose at each reporting date for each class of transferred financial assets that are not derecognised in their entirety: (a) the nature of the transferred assets. (b) the nature of the risks and rewards of ownership to which the entity is exposed. (c) a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity's use of the transferred assets. (d) when the counterparty (counterparties) to the associated liabilities has (have) recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of the associated liabilities and the net position (the difference between the fair value of the transferred assets and the associated liabilities). (e) when the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities. (f) when the entity continues to recognise the assets to the extent of its continuing involvement (see paragraphs 3.2.6(c)(ii) and 3.2.16 of SLFRS 9), the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.
	Not included	**Transferred financial assets that are derecognised in their entirety** Para 42E To meet the objectives set out in paragraph 42B(b), when an entity derecognises transferred financial

		assets in their entirety (see paragraph 3.2.6(a) and (c)(i) of SLFRS 9) but has continuing involvement in them, the entity shall disclose, as a minimum, for each type of continuing involvement at each reporting date: (a) the carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which the carrying amount of those assets and liabilities are recognised. (b) the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets. (c) the amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and information showing how the maximum exposure to loss is determined. (d) the undiscounted cash outflows that would or may be required to repurchase derecognised financial assets (eg the strike price in an option agreement) or other amounts payable to the transferee in respect of the transferred assets. If the cash outflow is variable then the amount disclosed should be based on the conditions that exist at each reporting date. (e) a maturity analysis of the undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred assets, showing the remaining contractual maturities of the entity's continuing involvement. (f) qualitative information that explains and supports the quantitative disclosures required in (a)–(e).

<table>
<tr><td></td><td>Not included</td><td>Para 42F

An entity may aggregate the information required by paragraph 42E in respect of a particular asset if the entity has more than one type of continuing involvement in that derecognised financial asset, and report it under one type of continuing involvement.</td></tr>
<tr><td></td><td>Not included</td><td>Para 42G

In addition, an entity shall disclose for each type of continuing involvement:

(a) the gain or loss recognised at the date of transfer of the assets.

(b) income and expenses recognised, both in the reporting period and cumulatively, from the entity's continuing involvement in the derecognised financial assets (eg fair value changes in derivative instruments).

(c) if the total amount of proceeds from transfer activity (that qualifies for derecognition) in a reporting period is not evenly distributed throughout the reporting period (eg if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period):

(i) when the greatest transfer activity took place within that reporting period (eg the last five days before the end of the reporting period),

(ii) the amount (eg related gains or losses) recognised from transfer activity in that part of the reporting period, and

(iii) the total amount of proceeds from transfer activity in that part of the reporting period.

An entity shall provide this information for each</td></tr>
</table>

		period for which a statement of comprehensive income is presented.
	Not included	**Supplementary information** Para 42H An entity shall disclose any additional information that it considers necessary to meet the disclosure objectives in paragraph 42B.
	Not included	Para 44I When an entity first applies SLFRS 9, it shall disclose for each class of financial assets at the date of initial application: (a) the original measurement category and carrying amount determined in accordance with LKAS 39; (b) the new measurement category and carrying amount determined in accordance with SLFRS 9; (c) the amount of any financial assets in the statement of financial position that were previously designated as measured at fair value through profit or loss but are no longer so designated, distinguishing between those that SLFRS 9 requires an entity to reclassify and those that an entity elects to reclassify. An entity shall present these quantitative disclosures in tabular format unless another format is more appropriate.
	Not included	Para 44J When an entity first applies SLFRS 9, it shall disclose qualitative information to enable users to understand:

		(a) how it applied the classification requirements in SLFRS 9 to those financial assets whose classification has changed as a result of applying SLFRS 9. (b) the reasons for any designation or de-designation of financial assets or financial liabilities as measured at fair value through profit or loss.
	Appendix A	**Defined terms** The following terms are defined in paragraph 11 of LKAS 32, paragraph 9 of LKAS 39 or Appendix A of SLFRS 9 and are used in the SLFRS with the meaning specified in LKAS 32, LKAS 39 and SLFRS 9. • amortised cost of a financial asset or financial liability • derecognition • derivative • effective interest method • equity instrument • fair value • financial asset • financial guarantee contract • financial instrument • financial liability • financial liability at fair value through profit or loss • forecast transaction

		• hedging instrument • held for trading • reclassification date • regular way purchase or sale.
	Appendix B – Para B1	Paragraph 6 requires an entity to group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The classes described in paragraph 6 are determined by the entity and are, thus, distinct from the categories of financial instruments specified in SLFRS 9 (which determine how financial instruments are measured and where changes in fair value are recognised).
	Appendix B – Para B4	[Deleted]
	Appendix B – Para 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) for financial liabilities designated as at fair value through profit or loss: (i) the nature of the financial liabilities the entity has designated as at fair value through profit or loss; (ii) the criteria for so designating such financial liabilities on initial recognition; and (iii) how the entity has satisfied the conditions

		in paragraph 4.2.2 of SLFRS 9 for such designation. (aa) for financial assets designated as measured at fair value through profit or loss: (i) the nature of the financial assets the entity has designated as measured at fair value through profit or loss; and (ii) how the entity has satisfied the criteria in paragraph 4.1.5 of SLFRS 9 for such designation. (b) [deleted] (c) whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date (see paragraph 3.1.2 of SLFRS 9). (d) when an allowance account is used to reduce the carrying amount of financial assets impaired by credit losses: (i) the criteria for determining when the carrying amount of impaired financial assets is reduced directly (or, in the case of a reversal of a write-down, increased directly) and when the allowance account is used; and (ii) the criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assets (see paragraph 16). (e) how net gains or net losses on each category of financial instrument are determined (see paragraph 20(a)), for example, whether the net gains or net losses on items at fair value through profit or loss include interest or dividend

		income. (f) the criteria the entity uses to determine that there is objective evidence that an impairment loss has occurred (see paragraph 20(e)). (g) when the terms of financial assets that would otherwise be past due or impaired have been renegotiated, the accounting policy for financial assets that are the subject of renegotiated terms (see paragraph 36(d)). Paragraph 122 of LKAS 1 also requires entities to disclose, in the summary of 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.
	Appendix B – Para B10(a)	granting loans to customers and placing deposits with other entities. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets.
	Not included	**Quantitative liquidity risk disclosures (paragraphs 34(a) and 39(a) and (b))** Para B10A In accordance with paragraph 34(a) an entity discloses summary quantitative data about its exposure to liquidity risk on the basis of the information provided internally to key management personnel. An entity shall explain how those data are determined. If the outflows of cash (or another financial asset) included in those data could either: (a) occur significantly earlier than indicated in the data, or (b) be for significantly different amounts from those indicated in the data (eg for a derivative

		that is included in the data on a net settlement basis but for which the counterparty has the option to require gross settlement), the entity shall state that fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk unless that information is included in the contractual maturity analyses required by paragraph 39(a) or (b).
	Appendix B – Para B 11	In preparing the maturity analyses required by paragraph 39(a) and (b), an entity uses its judgement to determine an appropriate number of time bands. For example, an entity might determine that the following time bands are appropriate: (a) not later than one month; (b) later than one month and not later than three months; (c) later than three months and not later than one year; and (d) later than one year and not later than five years.
	Not included	Para B11A In complying with paragraph 39(a) and (b), an entity shall not separate an embedded derivative from a hybrid (combined) financial instrument. For such an instrument, an entity shall apply paragraph 39(a).
	Not included	Para B11B Paragraph 39(b) requires an entity to disclose a quantitative maturity analysis for derivative financial liabilities that shows remaining contractual maturities if the contractual maturities are essential for an understanding of the timing of the cash flows. For example, this would be the case for: (a) an interest rate swap with a remaining maturity

		of five years in a cash flow hedge of a variable rate financial asset or liability. (b) all loan commitments.
	Not included	Para B11C Paragraph 39(a) and (b) requires an entity to disclose maturity analyses for financial liabilities that show the remaining contractual maturities for some financial liabilities. In this disclosure: (a) when a counterparty has a choice of when an amount is paid, the liability is allocated to the earliest period in which the entity can be required to pay. For example, financial liabilities that an entity can be required to repay on demand (eg demand deposits) are included in the earliest time band. (b) when an entity is committed to make amounts available in installments, each installment is allocated to the earliest period in which the entity can be required to pay. For example, an undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. (c) for issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
	Not included	Para B11D The contractual amounts disclosed in the maturity analyses as required by paragraph 39(a) and (b) are the contractual undiscounted cash flows, for example: (a) gross finance lease obligations (before deducting finance charges);

		(b) prices specified in forward agreements to purchase financial assets for cash; (c) net amounts for pay-floating/receive-fixed interest rate swaps for which net cash flows are exchanged; (d) contractual amounts to be exchanged in a derivative financial instrument (eg a currency swap) for which gross cash flows are exchanged; and (e) gross loan commitments. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.
	Not included	Para B11E Paragraph 39(c) requires an entity to describe how it manages the liquidity risk inherent in the items disclosed in the quantitative disclosures required in paragraph 39(a) and (b). An entity shall disclose a maturity analysis of financial assets it holds for managing liquidity risk (eg financial assets that are readily saleable or expected to generate cash inflows to meet cash outflows on financial liabilities), if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.
	Not included	Para B11F Other factors that an entity might consider in providing the disclosure required in paragraph 39(c)

		include, but are not limited to, whether the entity: (a) has committed borrowing facilities (eg commercial paper facilities) or other lines of credit (eg stand-by credit facilities) that it can access to meet liquidity needs; (b) holds deposits at central banks to meet liquidity needs; (c) has very diverse funding sources; (d) has significant concentrations of liquidity risk in either its assets or its funding sources; (e) has internal control processes and contingency plans for managing liquidity risk; (f) has instruments that include accelerated repayment terms (eg on the downgrade of the entity's credit rating); (g) has instruments that could require the posting of collateral (eg margin calls for derivatives); (h) has instruments that allow the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares; or (i) has instruments that are subject to master netting agreements.
	Appendix B12–B16	[Deleted]
	Appendix B22	*Interest rate risk* arises on interest-bearing financial instruments recognised in the statement of financial position (eg debt instruments acquired or issued) and on some financial instruments not recognised in the statement of financial position (eg some loan commitments).

	Appendix B27	In accordance with paragraph 40(a), the sensitivity of profit or loss (that arises, for example, from instruments measured at fair value through profit or loss) is disclosed separately from the sensitivity of other comprehensive income (that arises, for example, from investments in equity instruments whose changes in fair value are presented in other comprehensive income).
	Not included	**Derecognition (paragraphs 42C–42H)** **Continuing involvement (paragraph 42C)** Para B29 The assessment of continuing involvement in a transferred financial asset for the purposes of the disclosure requirements in paragraphs 42E–42H is made at the level of the reporting entity. For example, if a subsidiary transfers to an unrelated third party a financial asset in which the parent of the subsidiary has continuing involvement, the subsidiary does not include the parent's involvement in the assessment of whether it has continuing involvement in the transferred asset in its stand-alone financial statements (ie when the subsidiary is the reporting entity). However, a parent would include its continuing involvement (or that of another member of the group) in a financial asset transferred by its subsidiary in determining whether it has continuing involvement in the transferred asset in its consolidated financial statements (ie when the reporting entity is the group).
	Not included	Para 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.
	Not included	Para B31 Continuing involvement in a transferred financial asset may result from contractual provisions in the transfer agreement or in a separate agreement with the transferee or a third party entered into in connection with the transfer.
	Not included	**Transferred financial assets that are not derecognised in their entirety** Para B32 Paragraph 42D requires disclosures when part or all of the transferred financial assets do not qualify for derecognition. Those disclosures are required at each reporting date at which the entity continues to recognise the transferred financial assets, regardless of when the transfers occurred.
	Not included	**Types of continuing involvement (paragraphs 42E–42H)** Para B33 Paragraphs 42E–42H require qualitative and quantitative disclosures for each type of continuing involvement in derecognised financial assets. An entity shall aggregate its continuing involvement into types that are representative of the entity's exposure to risks. For example, an entity may aggregate its continuing involvement by type of financial instrument (eg guarantees or call options) or by type of transfer (eg factoring of receivables, securitisations and securities lending).

	Not included	**Maturity analysis for undiscounted cash outflows to repurchase transferred assets (paragraph 42E(e))** Para B34 Paragraph 42E(e) requires an entity to disclose a maturity analysis of the undiscounted cash outflows to repurchase derecognised financial assets or other amounts payable to the transferee in respect of the derecognised financial assets, showing the remaining contractual maturities of the entity's continuing involvement. This analysis distinguishes cash flows that are required to be paid (eg forward contracts), cash flows that the entity may be required to pay (eg written put options) and cash flows that the entity might choose to pay (eg purchased call options).
	Not included	Para B35 An entity shall use its judgement to determine an appropriate number of time bands in preparing the maturity analysis required by paragraph 42E(e). For example, an entity might determine that the following maturity time bands are appropriate: (a) not later than one month; (b) later than one month and not later than three months; (c) later than three months and not later than six months; (d) later than six months and not later than one year; (e) later than one year and not later than three years; (f) later than three years and not later than five years; and (g) more than five years.

	Not included	Para B36 If there is a range of possible maturities, the cash flows are included on the basis of the earliest date on which the entity can be required or is permitted to pay.
	Not included	**Qualitative information (paragraph 42E(f))** Para B37 The qualitative information required by paragraph 42E(f) includes a description of the derecognised financial assets and the nature and purpose of the continuing involvement retained after transferring those assets. It also includes a description of the risks to which an entity is exposed, including: (a) a description of how the entity manages the risk inherent in its continuing involvement in the derecognised financial assets. (b) whether the entity is required to bear losses before other parties, and the ranking and amounts of losses borne by parties whose interests rank lower than the entity's interest in the asset (ie its continuing involvement in the asset). (c) a description of any triggers associated with obligations to provide financial support or to repurchase a transferred financial asset.
	Not included	**Gain or loss on derecognition (paragraph 42G(a))** Para B38 Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (ie the interest in the asset derecognised and the interest retained by the entity) were different from the fair

		value of the previously recognised asset as a whole. In that situation, the entity shall also disclose whether the fair value measurements included significant inputs that were not based on observable market data, as described in paragraph 27A.
	Not included	**Supplementary information (paragraph 42H)** Para B39 The disclosures required in paragraphs 42D–42G may not be sufficient to meet the disclosure objectives in paragraph 42B. If this is the case, the entity shall disclose whatever additional information is necessary to meet the disclosure objectives. The entity shall decide, in the light of its circumstances, how much additional information it needs to provide to satisfy the information needs of users and how much emphasis it places on different aspects of the additional information. It is necessary to strike a balance between burdening financial statements with excessive detail that may not assist users of financial statements and obscuring information as a result of too much aggregation.

SLFRS 8 -Operating Segments

Standard	Existing Para Reference	Replaced /added paragraph
SLFRS 8	Para 23	Para 23 An entity shall report a measure of profit or loss for each reportable segment. An entity shall report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. An entity shall also disclose the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss: (a) revenues from external customers; (b) revenues from transactions with other operating segments of the same entity; (c) interest revenue; (d) interest expense; (e) depreciation and amortisation; (f) material items of income and expense disclosed in accordance with paragraph 97 of LKAS 1 *Presentation of Financial Statements*; (g) the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method; (h) income tax expense or income; and (i) material non-cash items other than depreciation and amortisation.

		An entity shall report interest revenue separately from interest expense for each reportable segment unless a majority of the segment's revenues are from interest and the chief operating decision maker relies primarily on net interest revenue to assess the performance of the segment and make decisions about resources to be allocated to the segment. In that situation, an entity may report that segment's interest revenue net of its interest expense and disclose that it has done so.
	Para 34	Para 34 An entity shall provide information about the extent of its reliance on its major customers. If revenues from transactions with a single external customer amount to 10 per cent or more of an entity's revenues, the entity shall disclose that fact, the total amount of revenues from each such customer, and the identity of the segment or segments reporting the revenues. The entity need not disclose the identity of a major customer or the amount of revenues that each segment reports from that customer. For the purposes of this SLFRS, a group of entities known to a reporting entity to be under common control shall be considered a single customer. However, judgement is required to assess whether a government (including government agencies and similar bodies whether local, national or international) and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities.

LKAS 1 – Presentation of Financial Statements

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 1	Para 7 (d) & (f)	The components of other comprehensive income include: (d) gains and losses from investments in equity instruments measured at fair value through other comprehensive income in accordance with paragraph 5.7.5 of SLFRS 9 *Financial Instruments*; (f) for particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk (see paragraph 5.7.7 of SLFRS 9).
	Para 69 (d)	**Current liabilities** **An entity shall classify a liability as current when:** **(d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period (see paragraph 73). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.**
	Para 123 (a)	[deleted]

LKAS 2 – Inventories

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 2	Para 2 (b)	**(b) financial instruments (see LKAS 32 *Financial Instruments: Presentation* and SLFRS 9 *Financial Instruments*); and**

LKAS 7 – Statement of Cash Flows

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 07	Para 16	Para 16 The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. Examples of cash flows arising from investing activities are: (a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment; (b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;

		(c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes); (d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes); (e) cash advances and loans made to other parties (other than advances and loans made by a financial institution); (f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution); (g) cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities; and (h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities. When a contract is accounted for as a hedge of an identifiable position the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.

LKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 8	Para 53	Para 53 Hindsight should not be used when applying a new accounting policy to, or correcting amounts for, a prior period, either in making assumptions about what management's intentions would have been in a prior period or estimating the amounts recognised, measured or disclosed in a prior period. For example, when an entity corrects a prior period error in calculating its liability for employees' accumulated sick leave in accordance with LKAS 19 *Employee Benefits*, it disregards information about an unusually severe influenza season during the next period that became available after the financial statements for the prior period were authorised for issue. The fact that significant estimates are frequently required when amending comparative information presented for prior periods does not prevent reliable adjustment or correction of the comparative information.

LKAS 12 – Income Taxes

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 12	Not included	Para 51B If a deferred tax liability or deferred tax asset arises from a non-depreciable asset measured using the revaluation model in LKAS 16, the measurement of the deferred tax liability or deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the non-depreciable asset through sale, regardless of the basis of measuring the carrying amount of that asset. Accordingly, if the tax law specifies a tax rate applicable to the taxable amount derived from the sale of an asset that differs from the

		tax rate applicable to the taxable amount derived from using an asset, the former rate is applied in measuring the deferred tax liability or asset related to a non-depreciable asset.
	Not included	Para 51C If a deferred tax liability or asset arises from investment property that is measured using the fair value model in LKAS 40, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. Accordingly, unless the presumption is rebutted, the measurement of the deferred tax liability or deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, the requirements of paragraphs 51 and 51A shall be followed. **Example illustrating paragraph 51C** An investment property has a cost of 100 and fair value of 150. It is measured using the fair value model in LKAS 40. It comprises land with a cost of 40 and fair value of 60 and a building with a cost of 60 and fair value of 90. The land has an unlimited useful life. Cumulative depreciation of the building for tax purposes is 30. Unrealised changes in the fair value of the investment property do not affect taxable profit. If the investment property is sold for more than cost, the reversal of the cumulative tax depreciation of 30 will be included in taxable profit and taxed at an ordinary tax rate of 30%. For sales proceeds in excess of cost, tax law specifies tax rates of 25% for assets held for less than two years and 20% for assets held for two years or more. *Because the investment property is measured using the fair value model in LKAS 40, there is a rebuttable presumption that the entity will recover the carrying amount of the investment property entirely through sale. If that presumption is not rebutted, the deferred tax reflects the tax consequences of recovering the carrying amount entirely through sale, even if the entity expects*

to earn rental income from the property before sale.

The tax base of the land if it is sold is 40 and there is a taxable temporary difference of 20 (60 – 40). The tax base of the building if it is sold is 30 (60 – 30) and there is a taxable temporary difference of 60 (90 – 30). As a result, the total taxable temporary difference relating to the investment property is 80 (20 + 60).

In accordance with paragraph 47, the tax rate is the rate expected to apply to the period when the investment property is realised. Thus, the resulting deferred tax liability is computed as follows, if the entity expects to sell the property after holding it for more than two years:

	Taxable Temporary Difference	*Tax Rate*	*Deferred Tax Liability*
Cumulative tax depreciation	*30*	*30%*	*9*
Proceeds in excess of cost	*50*	*20%*	*10*
Total	*80*		*19*

If the entity expects to sell the property after holding it for less than two years, the above computation would be amended to apply a tax rate of 25%, rather than 20%, to the proceeds in excess of cost.

If, instead, the entity holds the building within a business model whose objective is to consume substantially all of the economic benefits embodied in the building over time, rather than through sale, this presumption would be rebutted for the building. However, the land is not depreciable. Therefore the presumption of recovery through sale would not be rebutted for the land. It follows that the deferred tax liability would reflect the tax consequences of recovering the carrying amount of the building through use and the carrying amount of the land through sale.

The tax base of the building if it is used is 30 (60 – 30) and there is a taxable temporary difference of 60 (90 – 30), resulting in a deferred tax liability of 18 (60 at 30%).

The tax base of the land if it is sold is 40 and there is a taxable temporary difference of 20 (60 – 40), resulting in a deferred tax liability of 4 (20 at 20%).

As a result, if the presumption of recovery through sale is rebutted for the building, the deferred tax liability relating to the investment property is 22 (18 + 4).

	Not included	Para 51D The rebuttable presumption in paragraph 51C also applies when a deferred tax liability or a deferred tax asset arises from measuring investment property in a business combination if the entity will use the fair value model when subsequently measuring that investment property.
	Not included	Para 51E Paragraphs 51B–51D do not change the requirements to apply the principles in paragraphs 24–33 (deductible temporary differences) and paragraphs 34–36 (unused tax losses and unused tax credits) of this Standard when recognising and measuring deferred tax assets.

LKAS 17 – Leases

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 17	Para 14	[Deleted]
	Para 15	[Deleted]
	Not included	Para 15A When a lease includes both land and buildings elements, an entity assesses the classification of each element as a finance or an operating lease separately in accordance with paragraphs 7–13. In determining whether the land element is an operating or a finance lease, an important consideration is that land normally has an indefinite economic life.
	Para 68A	**An entity shall reassess the classification of land elements of unexpired leases at the date it adopts the amendments referred to in paragraph 69A on the basis of information existing at the inception of those leases. It shall recognise a lease newly classified as a finance lease retrospectively in accordance with LKAS 8 *Accounting Policies,***

		***Changes in Accounting Estimates and Errors*. However, if an entity does not have the information necessary to apply the amendments retrospectively, it shall:** **(a) apply the amendments to those leases on the basis of the facts and circumstances existing on the date it adopts the amendments; and** **(b) recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings.**

LKAS 18 – Revenue

Standard	**Existing Para Reference**	**Replaced /added paragraph**
LKAS 18	Para 6 (d)	(d) changes in the fair value of financial assets and financial liabilities or their disposal (see SLFRS 9 *Financial Instruments*);
	Para 11	Para 11 In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. For example, an entity may provide interest-free credit to the buyer or accept a note receivable bearing a below-market interest rate from the buyer as consideration for the sale of goods. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

		(a) the prevailing rate for a similar instrument of an issuer with a similar credit rating; or (b) a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services. The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue in accordance with paragraphs 29 and 30 and in accordance with SLFRS 9.

LKAS 19 - Employee Benefits

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 19	Para 57	Para 57 This Standard encourages, but does not require, an entity to involve a qualified actuary in the measurement of all material post-employment benefit obligations. For practical reasons, an entity may request a qualified actuary to carry out a detailed valuation of the obligation before the end of the reporting period. Nevertheless, the results of that valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the end of the reporting period.
	Para 57 A	[Deleted]
	Para 58 B	Para 58 B Paragraph 58A applies to an entity only if it has, at the beginning or end of the accounting period, a surplus* in a defined benefit plan and cannot, based on the current terms of the plan, recover that surplus fully through refunds or reductions in future contributions. In such cases, past service cost and

		actuarial losses that arise in the period, the recognition of which is deferred under paragraph 54, will increase the amount specified in paragraph 58(b)(i). If that increase is not offset by an equal decrease in the present value of economic benefits that qualify for recognition under paragraph 58(b)(ii), there will be an increase in the net total specified by paragraph 58(b) and, hence, a recognised gain. Paragraph 58A prohibits the recognition of a gain in these circumstances. The opposite effect arises with actuarial gains that arise in the period, the recognition of which is deferred under paragraph 54, to the extent that the actuarial gains reduce cumulative unrecognised actuarial losses. Paragraph 58A prohibits the recognition of a loss in these circumstances. For examples of the application of this paragraph, see part C of the implementation guidance accompanying this Standard. ______________________________ *A surplus is an excess of the fair value of the plan assets over the present value of the defined benefit obligation.
	Para 82	Para 82 Interest cost is computed by multiplying the discount rate as determined at the start of the period by the present value of the defined benefit obligation throughout that period, taking account of any material changes in the obligation. The present value of the obligation will differ from the liability recognised in the statement of financial position because the liability is recognised after deducting the fair value of any plan assets and because some actuarial gains and losses, and some past service cost, are not recognised immediately. [Part A of the implementation guidance accompanying this Standard illustrates the computation of interest cost, among other things.]
	Para 95	Para 95 In the long term, actuarial gains and losses may offset one another. Therefore, estimates of post-employment benefit obligations may be viewed as a range (or 'corridor') around the best estimate. An entity is

		permitted, but not required, to recognise actuarial gains and losses that fall within that range. This Standard requires an entity to recognise, as a minimum, a specified portion of the actuarial gains and losses that fall outside a 'corridor' of plus or minus 10%. [Part A of the implementation guidance accompanying this Standard illustrates the treatment of actuarial gains and losses, among other things.] The Standard also permits systematic methods of faster recognition, provided that those methods satisfy the conditions set out in paragraph 93. Such permitted methods include, for example, immediate recognition of all actuarial gains and losses, both within and outside the 'corridor'. Paragraph 155(b)(iii) explains the need to consider any unrecognised part of the transitional liability in accounting for subsequent actuarial gains.
	Appendix A – C	Moved to Implementation Guidance accompanying this Standard.
	Appendix D – E	Deleted

LKAS 20 - Accounting for Government Grants and Disclosure of Government Assistance

Standard	Para Reference	Replaced by:
LKAS 20	Para 10A	Para 10A The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan shall be recognised and measured in accordance with SLFRS 9 *Financial Instruments*. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with SLFRS 9 and the

		proceeds received. The benefit is accounted for in accordance with this Standard. The entity shall consider the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate.

LKAS 21 - The Effects of Changes in Foreign Exchange Rates

Standard	**Existing Para Reference**	**Replaced /added paragraph**
LKAS 21	Para 3	**Para 3** **This Standard shall be applied:**[*] **(a) in accounting for transactions and balances in foreign currencies, except for those derivative transactions and balances that are within the scope of SLFRS 9 *Financial Instruments*;** **(b) in translating the results and financial position of foreign operations that are included in the financial statements of the entity by consolidation, proportionate consolidation or the equity method; and** **(c) in translating an entity's results and financial position into a presentation currency.** * See also SIC-7 Introduction of the Euro
	Para 4	Para 4 SLFRS 9 applies to many foreign currency derivatives and, accordingly, these are excluded from the scope of this Standard. However, those foreign currency derivatives that are not within the scope of SLFRS 9 (eg some foreign currency derivatives that are embedded in other contracts) are within the scope

		of this Standard. In addition, this Standard applies when an entity translates amounts relating to derivatives from its functional currency to its presentation currency.
	Para 52	**Para 52** **An entity shall disclose:** **(a) the amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with SLFRS 9; and** **(b) net exchange differences recognised in other comprehensive income and accumulated in a separate component of equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period.**

LKAS 24 – Related Party Disclosures

	Para 1	Para 1 The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.
	Para 2	**Para 2** **This Standard shall be applied in:** **(a) identifying related party relationships and transactions;** **(b) identifying outstanding balances, including**

		commitments, between an entity and its related parties; **(c) identifying the circumstances in which disclosure of the items in (a) and (b) is required; and** **(d) determining the disclosures to be made about those items.**
	Para 3	**Para 3** **This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent, venturer or investor presented in accordance with LKAS 27** ***Consolidated and Separate Financial Statements*****. This Standard also applies to individual financial statements**.
	Para 5	Para 5 Related party relationships are a normal feature of commerce and business. For example, entities frequently carry on parts of their activities through subsidiaries, joint ventures and associates. In those circumstances, the entity has the ability to affect the financial and operating policies of the investee through the presence of control, joint control or significant influence.
	Para 8	Para 8 For these reasons, knowledge of an entity's transactions, outstanding balances, including commitments, and relationships with related parties may affect assessments of its operations by users of financial statements, including assessments of the

		risks and opportunities facing the entity.
	Para 9	**Para 9** **The following terms are used in this Standard with the meanings specified:** **A *related party* is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').** **(a) A person or a close member of that person's family is related to a reporting entity if that person:** **(i) has control or joint control over the reporting entity;** **(ii) has significant influence over the reporting entity; or** **(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.** **(b) An entity is related to a reporting entity if any of the following conditions applies:** **(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).** **(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).** **(iii) Both entities are joint ventures of the same third party.**

		(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. **(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.** **(vi) The entity is controlled or jointly controlled by a person identified in (a).** **(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).** **A *related party transaction* is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.** ***Close members of the family of a person* are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:** **(a) that person's children and spouse or domestic partner;** **(b) children of that person's spouse or domestic partner; and** **(c) dependants of that person or that person's spouse or domestic partner.** ***Compensation* includes all employee benefits (as defined in LKAS 19 *Employee Benefits*) including employee benefits to which SLFRS 2 *Share-based***

		Payment **applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:** **(a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;** **(b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;** **(c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;** **(d) termination benefits; and** **(e) share-based payment.** ***Control*** **is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.** ***Joint control*** **is the contractually agreed sharing of control over an economic activity.** ***Key management personnel*** **are those persons having authority and responsibility for planning,**

		directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. ***Significant influence*** **is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.** ***Government*** **refers to government, government agencies and similar bodies whether local, national or international.** **A** ***government-related entity*** **is an entity that is controlled, jointly controlled or significantly influenced by a government.**
	Para 11	Para11 In the context of this Standard, the following are not related parties: (a) two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity. (b) two venturers simply because they share joint control over a joint venture. (c) (i) providers of finance, (ii) trade unions, (iii) public utilities, and (iv) departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity,

		simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process). (d) a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence.
	Para 12 - 22	Para 12 In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture. Therefore, for example, an associate's subsidiary and the investor that has significant influence over the associate are related to each other. **Para 13** **Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.** Para 14 To enable users of financial statements to form a view about the effects of related party relationships on an entity, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties. Para 15 The requirement to disclose related party relationships between a parent and its subsidiaries is in addition to the disclosure requirements in LKAS 27, LKAS 28 *Investments in Associates* and LKAS 31 *Interests in*

		Joint Ventures. Para 16 Paragraph 13 refers to the next most senior parent. This is the first parent in the group above the immediate parent that produces consolidated financial statements available for public use. **Para 17** **An entity shall disclose key management personnel compensation in total and for each of the following categories:** **(a) short-term employee benefits;** **(b) post-employment benefits;** **(c) other long-term benefits;** **(d) termination benefits; and** **(e) share-based payment.** **Para 18** **If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph 17. At a minimum, disclosures shall include:** **(a) the amount of the transactions;** **(b) the amount of outstanding balances, including commitments, and:** **(i) their terms and conditions, including whether they are secured, and the nature of the consideration to be**

		provided in settlement; and **(ii) details of any guarantees given or received;** **(c) provisions for doubtful debts related to the amount of outstanding balances; and** **(d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.** **Para 19** **The disclosures required by paragraph 18 shall be made separately for each of the following categories:** **(a) the parent;** **(b) entities with joint control or significant influence over the entity;** **(c) subsidiaries;** **(d) associates;** **(e) joint ventures in which the entity is a venturer;** **(f) key management personnel of the entity or its parent; and** **(g) other related parties.** Para 20 The classification of amounts payable to, and receivable from, related parties in the different categories as required in paragraph 19 is an extension of the disclosure requirement in LKAS 1 *Presentation of Financial Statements* for information to be presented either in the statement of financial position or in the notes. The categories are extended to provide a more comprehensive analysis of related party

		balances and apply to related party transactions. Para 21 The following are examples of transactions that are disclosed if they are with a related party: (a) purchases or sales of goods (finished or unfinished); (b) purchases or sales of property and other assets; (c) rendering or receiving of services; (d) leases; (e) transfers of research and development; (f) transfers under licence agreements; (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind); (h) provision of guarantees or collateral; (i) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts* (recognised and unrecognised); and (j) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party. * LKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* defines executor contracts as contracts under which neither party has performed any of its obligations or both parties have partially performed their obligation to an equal extent. Para 22 Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties (see paragraph

		34B of LKAS 19). Para 23 Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated. **Para 24** **Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.** **Government-related entities** **Para 25** **A reporting entity is exempt from the disclosure requirements of paragraph 18 in relation to related party transactions and outstanding balances, including commitments, with:** **(a) a government that has control, joint control or significant influence over the reporting entity; and** **(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.** **Para 26** **If a reporting entity applies the exemption in paragraph 25, it shall disclose the following about the transactions and related outstanding balances referred to in paragraph 25:** **(a) the name of the government and the nature of its relationship with the reporting entity (ie control, joint control or significant influence);** **(b) the following information in sufficient detail**

		to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements: **(i) the nature and amount of each individually significant transaction; and** **(ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent. Types of transactions include those listed in paragraph 21.** Para 27 In using its judgement to determine the level of detail to be disclosed in accordance with the requirements in paragraph 26(b), the reporting entity shall consider the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transaction such as whether it is: (a) significant in terms of size; (b) carried out on non-market terms; (c) outside normal day-to-day business operations, such as the purchase and sale of businesses; (d) disclosed to regulatory or supervisory authorities; (e) reported to senior management; (f) subject to shareholder approval.

LKAS 27- Consolidated and Separate Financial Statements

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 27	Para 35	Para 35 If a parent loses control of a subsidiary, the parent shall account for all amounts recognised in other comprehensive income in relation to that subsidiary on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the parent reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses control of the subsidiary. For example, if a subsidiary has cumulative exchange differences relating to a foreign operation and the parent loses control of the subsidiary, the parent shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to the foreign operation. Similarly, if a revaluation surplus previously recognised in other comprehensive income would be transferred directly to retained earnings on the disposal of the asset, the parent transfers the revaluation surplus directly to retained earnings when it loses control of the subsidiary.
	Para 37	Para 37 The fair value of any investment retained in the former subsidiary at the date when control is lost shall be regarded as the fair value on initial recognition of a financial asset in accordance with SLFRS 9 *Financial Instruments* or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.
	Para 38	**Para 38** **When an entity prepares separate financial statements, it shall account for investments in subsidiaries, jointly controlled entities and**

		associates either: **(a) at cost, or** **(b) in accordance with SLFRS 9.** **The entity shall apply the same accounting for each category of investments. Investments accounted for at cost shall be accounted for in accordance with SLFRS 5** ***Non-current Assets Held for Sale and Discontinued Operations*** **when they are classified as held for sale (or included in a disposal group that is classified as held for sale). The accounting for investments in accordance with SLFRS 9 is not changed in such circumstances.**
	Para 40	**Para 40** **Investments in jointly controlled entities and associates that are accounted for in accordance with SLFRS 9 in the consolidated financial statements shall be accounted for in the same way in the investor's separate financial statements.**

LKAS 28 - Investments in Associates

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 28	Para 1	**Para 1** **This Standard shall be applied in accounting for investments in associates. However, it does not apply to investments in associates held by:** **(a) venture capital organisations, or** **(b) mutual funds, unit trusts and similar entities including investment-linked insurance funds** **that are measured at fair value through profit or loss in accordance with SLFRS 9** ***Financial***

		***Instruments*. An entity shall measure such investments at fair value through profit or loss in accordance with SLFRS 9. An entity holding such an investment shall make the disclosures required by paragraph 37(f).**
	Para 18	**Para 18** **An investor shall discontinue the use of the equity method from the date when it ceases to have significant influence over an associate and shall account for the investment in accordance with SLFRS 9 from that date, provided the associate does not become a subsidiary or a joint venture as defined in LKAS 31. On the loss of significant influence, the investor shall measure at fair value any investment the investor retains in the former associate. The investor shall recognise in profit or loss any difference between:** **(a) the fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and** **(b) the carrying amount of the investment at the date when significant influence is lost.**
	Para 19	**Para 19** **When an investment ceases to be an associate and is accounted for in accordance with SLFRS 9, the fair value of the investment at the date when it ceases to be an associate shall be regarded as its fair value on initial recognition as a financial asset in accordance with SLFRS 9.**
	Para 19 A	Para 19A If an investor loses significant influence over an associate, the investor shall account for all amounts recognised in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by an associate would be reclassified to profit

		or loss on the disposal of the related assets or liabilities, the investor reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over the associate. For example, if an associate has cumulative exchange differences relating to a foreign operation and the investor loses significant influence over the associate, the investor shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to the foreign operation. If an investor's ownership interest in an associate is reduced, but the investment continues to be an associate, the investor shall reclassify to profit or loss only a proportionate amount of the gain or loss previously recognised in other comprehensive income.
	Para 33	Para 33 Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in LKAS 36 *Impairment of Assets*. Instead, the entire carrying amount of the investment is tested for impairment in accordance with LKAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of the requirements in LKAS 39 indicates that the investment may be impaired. An impairment loss recognised in those circumstances is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Accordingly, any reversal of that impairment loss is recognised in accordance with LKAS 36 to the extent that the recoverable amount of the investment subsequently increases. In determining the value in use of the investment, an entity estimates: (a) its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the

		operations of the associate and the proceeds on the ultimate disposal of the investment; or (b) the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal. Under appropriate assumptions, both methods give the same result.

LKAS 31 - Interests in Joint Ventures

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 31	**Para 1**	**Para 1** **This Standard shall be applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers' interests in jointly controlled entities held by:** **(a) venture capital organisations, or** **(b) mutual funds, unit trusts and similar entities including investment-linked insurance funds** **that are measured at fair value through profit or loss in accordance with SLFRS 9 *Financial Instruments*. An entity shall measure such investments at fair value through profit or loss in accordance with SLFRS 9. A venturer holding such an interest shall make the disclosures required by paragraphs 55 and 56.**

	Para 45	**Para 45** **When an investor ceases to have joint control over an entity, it shall account for any remaining investment in accordance with SLFRS 9 from that date, provided that the former jointly controlled entity does not become a subsidiary or associate. From the date when a jointly controlled entity becomes a subsidiary of an investor, the investor shall account for its interest in accordance with LKAS 27 and SLFRS 3 *Business Combinations*. From the date when a jointly controlled entity becomes an associate of an investor, the investor shall account for its interest in accordance with LKAS 28. On the loss of joint control, the investor shall measure at fair value any investment the investor retains in the former jointly controlled entity. The investor shall recognise in profit or loss any difference between:** **(a) the fair value of any retained investment and any proceeds from disposing of the part interest in the jointly controlled entity; and** **(b) the carrying amount of the investment at the date when joint control is lost.**
	Para 45A	**Para 45A** **When an investment ceases to be a jointly controlled entity and is accounted for in accordance with SLFRS 9, the fair value of the investment when it ceases to be a jointly controlled entity shall be regarded as its fair value on initial recognition as a financial asset in accordance with SLFRS 9.**
	Para 45B	Para 45B If an investor loses joint control of an entity, the investor shall account for all amounts recognised in other comprehensive income in relation to that entity on the same basis as would be required if the jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive

		income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the investor reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the investor loses joint control of the entity. For example, if a jointly controlled entity has cumulative exchange differences relating to a foreign operation and the investor loses joint control of the entity, the investor shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to the foreign operation. If an investor's ownership interest in a jointly controlled entity is reduced, but the investment continues to be a jointly controlled entity, the investor shall reclassify to profit or loss only a proportionate amount of the gain or loss previously recognised in other comprehensive income.
	Para 51	**Para 51** **An investor in a joint venture that does not have joint control shall account for that investment in accordance with SLFRS 9 or, if it has significant influence in the joint venture, in accordance with LKAS 28.**

LKAS 32 – Financial Instruments: Presentation

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 32	Para 3	Para 3 The principles in this Standard complement the principles for recognising and measuring financial assets and financial liabilities in SLFRS 9 *Financial Instruments*, and for disclosing information about them in SLFRS 7 *Financial Instruments: Disclosures*.
	Para 4	**Para 4** **This Standard shall be applied by all entities to all types of financial instruments except:**

	Para 4 (a)	**Para 4 (a)** **those interests in subsidiaries, associates or joint ventures that are accounted for in accordance with LKAS 27 *Consolidated and Separate Financial Statements*, LKAS 28 *Investments in Associates* or LKAS 31 *Interests in Joint Ventures*. However, in some cases, LKAS 27, LKAS 28 or LKAS 31 permits an entity to account for an interest in a subsidiary, associate or joint venture using SLFRS 9; in those cases, entities shall apply the requirements of this Standard. Entities shall also apply this Standard to all derivatives linked to interests in subsidiaries, associates or joint ventures.**
	Para 4 (d)	**Para 4 (d)** **insurance contracts as defined in SLFRS 4 *Insurance Contracts*. However, this Standard applies to derivatives that are embedded in insurance contracts if SLFRS 9 requires the entity to account for them separately. Moreover, an issuer shall apply this Standard to financial guarantee contracts if the issuer applies SLFRS 9 in recognising and measuring the contracts, but shall apply SLFRS 4 if the issuer elects, in accordance with paragraph 4(d) of SLFRS 4, to apply SLFRS 4 in recognising and measuring them.**
	Para 4 (e)	**Para 4 (e)** **financial instruments that are within the scope of SLFRS 4 because they contain a discretionary participation feature. The issuer of these instruments is exempt from applying to these features paragraphs 15–32 and AG25–AG35 of this Standard regarding the distinction between financial liabilities and equity instruments. However, these instruments are subject to all other requirements of this Standard. Furthermore, this Standard applies to derivatives that are embedded in these instruments (see SLFRS 9).**

	Para 11 (b) (ii)	**A *financial liability* is any liability that is:** **(b) (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Also, for these purposes the entity's own equity instruments do not include puttable financial instruments that are classified as equity instruments in accordance with paragraphs 16A and 16B, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with paragraphs 16C and 16D, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.**
	Para 12	Para 12 The following terms are defined in Appendix A of SLFRS 9 or paragraph 9 of LKAS 39 *Financial Instruments: Recognition and Measurement* and are used in this Standard with the meaning specified in LKAS 39 and SLFRS 9. • amortised cost of a financial asset or financial liability • derecognition

		• derivative • effective interest method • financial guarantee contract • financial liability at fair value through profit or loss • firm commitment • forecast transaction • hedge effectiveness • hedged item • hedging instrument • held for trading • regular way purchase or sale • transaction costs.
	Para 16 (b)	Para 16 (b) (b) If the instrument will or may be settled in the issuer's own equity instruments, it is: (i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or (ii) a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants

		pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Also, for these purposes the issuer's own equity instruments do not include instruments that have all the features and meet the conditions described in paragraphs 16A and 16B or paragraphs 16C and 16D, or instruments that are contracts for the future receipt or delivery of the issuer's own equity instruments.
	Para 23	Para 23 With the exception of the circumstances described in paragraphs 16A and 16B or paragraphs 16C and 16D, a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount (for example, for the present value of the forward repurchase price, option exercise price or other redemption amount). This is the case even if the contract itself is an equity instrument. One example is an entity's obligation under a forward contract to purchase its own equity instruments for cash. When the financial liability is recognised initially under SLFRS 9, its fair value (the present value of the redemption amount) is reclassified from equity. Subsequently, the financial liability is measured in accordance with SLFRS 9. If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity. An entity's contractual obligation to purchase its own equity instruments gives rise to a financial liability for the present value of the redemption amount even if the obligation to purchase is conditional on the counterparty exercising a right to redeem (eg a written put option that gives the counterparty the right to sell an entity's own equity instruments to the entity for a fixed price).
	Para 31	Para 31 SLFRS 9 deals with the measurement of financial

		assets and financial liabilities. Equity instruments are instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component (such as an equity conversion option) is included in the liability component. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognising the components of the instrument separately.
	Para 42	**Para 42 (b)** **(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.** **In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability (see SLFRS 9, paragraph 3.2.22).**

LKAS 34-Interim Financial Reporting

Standard	**Existing Para Reference**	**Replaced /added paragraph**
LKAS 34	Paras 15 & 17	Para 15 An entity shall include in its interim financial report

		an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Information disclosed in relation to those events and transactions shall update the relevant information presented in the most recent annual financial report. Para 15A A user of an entity's interim financial report will have access to the most recent annual financial report of that entity. Therefore, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report. Para 15 B The following is a list of events and transactions for which disclosures would be required if they are significant: the list is not exhaustive. (a) the write-down of inventories to net realisable value and the reversal of such a write-down; (b) recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, or other assets, and the reversal of such an impairment loss; (c) the reversal of any provisions for the costs of restructuring; (d) acquisitions and disposals of items of property, plant and equipment; (e) commitments for the purchase of property, plant and equipment; (f) litigation settlements; (g) corrections of prior period errors;

		(h) changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost; (i) any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period; (j) related party transactions; (k) transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments; (l) changes in the classification of financial assets as a result of a change in the purpose or use of those assets; and (m) changes in contingent liabilities or contingent assets. Para 15C Individual SLFRSs provide guidance regarding disclosure requirements for many of the items listed in paragraph 15B. When an event or transaction is significant to an understanding of the changes in an entity's financial position or performance since the last annual reporting period, its interim financial report should provide an explanation of and an update to the relevant information included in the financial statements of the last annual reporting period.
	Para 16	**Para 16A** **Other disclosures** **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 elsewhere in the**

		interim financial report. The information shall normally be reported on a financial year-to-date basis. **(a) a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.** **(b) explanatory comments about the seasonality or cyclicality of interim operations.** **(c) the nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.** **(d) the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.** **(e) issues, repurchases and repayments of debt and equity securities.** **(f) dividends paid (aggregate or per share) separately for ordinary shares and other shares.** **(g) the following segment information (disclosure of segment information is required in an entity's interim financial report only if SLFRS 8 *Operating Segments* requires that entity to disclose segment information in its annual financial statements):** **(i) revenues from external customers, if included in the measure of segment**

		profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker. **(ii) intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker.** **(iii) a measure of segment profit or loss.** **(iv) total assets for which there has been a material change from the amount disclosed in the last annual financial statements.** **(v) a description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.** **(vi) a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation.** **(h) events after the interim period that have not been reflected in the financial statements for the interim period.** **(i) the effect of changes in the composition of the entity during the interim period,**

		including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information required by SLFRS 3 *Business Combinations*.
	Para 18	[Deleted]
	Para 22	Para 22 Part A of the illustrative examples accompanying this Standard illustrates the periods required to be presented by an entity that reports half-yearly and an entity that reports quarterly.
	Para 27	Para 27 LKAS 8 requires disclosure of the nature and (if practicable) the amount of a change in estimate that either has a material effect in the current period or is expected to have a material effect in subsequent periods. Paragraph 16A(d) of this Standard requires similar disclosure in an interim financial report. Examples include changes in estimate in the final interim period relating to inventory write-downs, restructurings, or impairment losses that were reported in an earlier interim period of the financial year. The disclosure required by the preceding paragraph is consistent with the LKAS 8 requirement and is intended to be narrow in scope—relating only to the change in estimate. An entity is not required to include additional interim period financial information in its annual financial statements.
	Para 35	Para 35 An entity that reports half-yearly uses information available by mid-year or shortly thereafter in making the measurements in its financial statements for the first six-month period and information available by year-end or shortly thereafter for the twelve-month period. The twelve-month measurements will reflect possible changes in estimates of amounts reported for the first six-month period. The amounts reported in

		the interim financial report for the first six-month period are not retrospectively adjusted. Paragraphs 16A(d) and 26 require, however, that the nature and amount of any significant changes in estimates be disclosed.
	Para 40	Para 40 Part B of the illustrative examples accompanying this Standard provides examples of applying the general recognition and measurement principles set out in paragraphs 28–39.
	Para 42	Para 42 Part C of the illustrative examples accompanying this Standard provides examples of the use of estimates in interim periods
	Appendix A- C	Moved to Implementation Guidance accompanying this Standard

LKAS 36 - Impairment of Assets

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 36	Para 2 (e)	**(e) financial assets that are within the scope of SLFRS 9 *Financial Instruments*;**
	Para 5	Para 5 This Standard does not apply to financial assets within the scope of SLFRS 9, investment property measured at fair value in accordance with LKAS 40, or biological assets related to agricultural activity measured at fair value less costs to sell in accordance with LKAS 41. However, this Standard applies to assets that are carried at revalued amount (ie fair value) in accordance with other SLFRSs, such as the revaluation model in LKAS 16 *Property, Plant and Equipment*. Identifying whether a revalued asset may be impaired depends on the basis used to determine

		fair value: (a) if the asset's fair value is its market value, the only difference between the asset's fair value and its fair value less costs to sell is the direct incremental costs to dispose of the asset: (i) if the disposal costs are negligible, the recoverable amount of the revalued asset is necessarily close to, or greater than, its revalued amount (ie fair value). In this case, after the revaluation requirements have been applied, it is unlikely that the revalued asset is impaired and recoverable amount need not be estimated. (ii) If the disposal costs are not negligible, the fair value less costs to sell of the revalued asset is necessarily less than its fair value. Therefore, the revalued asset will be impaired if its value in use is less than its revalued amount (ie fair value). In this case, after the revaluation requirements have been applied, an entity applies this Standard to determine whether the asset may be impaired. (b) if the asset's fair value is determined on a basis other than its market value, its revalued amount (ie fair value) may be greater or lower than its recoverable amount. Hence, after the revaluation requirements have been applied, an entity applies this Standard to determine whether the asset may be impaired.
	Para 80 (b)	**(b) not be larger than an operating segment as defined by paragraph 5 of SLFRS 8 *Operating Segments* before aggregation.**

LKAS 37 – Provisions, Contingent Liabilities and Contingent Assets

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 37	Para 2	Para 2 This Standard does not apply to financial instruments (including guarantees) that are within the scope of SLFRS 9 *Financial Instruments*.

LKAS 38 - Intangible Assets

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 38	Para 36	Para 36 An intangible asset acquired in a business combination might be separable, but only together with a related contract, identifiable asset or liability. In such cases, the acquirer recognises the intangible asset separately from goodwill, but together with the related item.
	Para 37	Para 37 The acquirer may recognise a group of complementary intangible assets as a single asset provided the individual assets have similar useful lives. For example, the terms 'brand' and 'brand name' are often used as synonyms for trademarks and other marks. However, the former are general marketing terms that are typically used to refer to a group of complementary assets such as a trademark (or service mark) and its related trade name, formulas, recipes and technological expertise.
	Para 40	Para 40 If no active market exists for an intangible asset, its fair value is the amount that the entity would have paid for the asset, at the acquisition date, in an arm's length transaction between knowledgeable and

		willing parties, on the basis of the best information available. In determining this amount, an entity considers the outcome of recent transactions for similar assets. For example, an entity may apply multiples reflecting current market transactions to factors that drive the profitability of the asset (such as revenue, operating profit or earnings before interest, tax, depreciation and amortisation).
	Para 41	Para 41 Entities that are involved in the purchase and sale of intangible assets may have developed techniques for estimating their fair values indirectly. These techniques may be used for initial measurement of an intangible asset acquired in a business combination if their objective is to estimate fair value and if they reflect current transactions and practices in the industry to which the asset belongs. These techniques include, for example: (a) discounting estimated future net cash flows from the asset; or (b) estimating the costs the entity avoids by owning the intangible asset and not needing: (i) to license it from another party in an arm's length transaction (as in the 'relief from royalty' approach, using discounted net cash flows); or (ii) to recreate or replace it (as in the cost approach).

LKAS 39–Financial Instruments: Recognition and Measurement

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 39	Para 2 (b)	**(b) rights and obligations under leases to which LKAS 17 *Leases* applies. However:** **(i) lease receivables recognised by a lessor are subject to the derecognition and impairment provisions of this Standard;** **(ii) finance lease payables recognised by a lessee are subject to the derecognition provisions of this Standard; and** **(iii) derivatives that are embedded in leases are subject to the embedded derivatives provisions of this Standard.**
	Para 2 (e)	**(e) rights and obligations arising under (i) an insurance contract as defined in SLFRS 4 *Insurance Contracts*, other than an issuer's rights and obligations arising under an insurance contract that meets the definition of a financial guarantee contract in Appendix A of SLFRS 9 *Financial Instruments*, or (ii) a contract that is within the scope of SLFRS 4 because it contains a discretionary participation feature. However, this Standard applies to a derivative that is embedded in a contract within the scope of SLFRS 4 if the derivative is not itself a contract within the scope of SLFRS 4. Moreover, if an issuer of financial guarantee contracts has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts, the issuer may elect to apply either this Standard or**

		SLFRS 4 to such financial guarantee contracts (see paragraphs AG4 and AG4A). The issuer may make that election contract by contract, but the election for each contract is irrevocable.
	Para 2 (g)	**(g) any forward contract between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date. The term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction.**
	Para 2 (h)	**(h) loan commitments other than those loan commitments described in paragraph 4. An issuer of loan commitments shall apply LKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to loan commitments that are not within the scope of this Standard. However, all loan commitments are subject to the derecognition provisions of this Standard.**
	Para 4 (a)	**(a) loan commitments that the entity designates as financial liabilities at fair value through profit or loss (see paragraph 4.2.2 of SLFRS 9). An entity that has a past practice of selling the assets resulting from its loan commitments shortly after origination shall apply this Standard to all its loan commitments in the same class.**
	Para 4 (c)	**(c) commitments to provide a loan at a below-market interest rate (see paragraph 4.2.1 of SLFRS 9).**
	Para 8	Para 8 The terms defined in SLFRS 9 and LKAS 32 are used in this Standard with the meanings specified in Appendix A of SLFRS 9 and paragraph 11 of LKAS 32. SLFRS 9 and LKAS 32 define the following terms:

		• derecognition • derivative • equity instrument • fair value • financial asset • financial guarantee contract • financial instrument • financial liability and provide guidance on applying those definitions.
	Para 9	**Para 9** **The following terms are used in this Standard with the meanings specified:** **Definitions relating to recognition and measurement** **The *amortised cost of a financial asset or financial liability* is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.** **The *effective interest method* is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the**

		rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see LKAS 18 *Revenue*), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments). ***Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability (see Appendix A paragraph AG13). An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.** **Definitions relating to hedge accounting** **A *firm commitment* is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.** **A *forecast transaction* is an uncommitted but anticipated future transaction.** **A *hedging instrument* is a designated derivative or**

		(for a hedge of the risk of changes in foreign currency exchange rates only) a designated non-derivative financial asset or non-derivative financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item (paragraphs 72–77 and Appendix A paragraphs AG94–AG97 elaborate on the definition of a hedging instrument). **A *hedged item* is an asset, liability, firm commitment, highly probable forecast transaction or net investment in a foreign operation that (a) exposes the entity to risk of changes in fair value or future cash flows and (b) is designated as being hedged (paragraphs 78–84 and Appendix A paragraphs AG98–AG101 elaborate on the definition of hedged items).** ***Hedge effectiveness* is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument (see Appendix A paragraphs AG105–AG113).**
	Para 10 – 57	[Deleted]
	Para 58	**Para 58** **An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss.**
	Para 61	[Deleted]
	Para 63	**Para 63** **If there is objective evidence that an impairment loss on financial assets measured at amortised cost**

		has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.
	Para 66 – 70	Deleted
	Para 79	Deleted
	Para 88 (a)	**(a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.**
	Para 88(d)	**(d) The effectiveness of the hedge can be reliably measured, ie the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.**
	Para 89(b)	**(b) the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss. This applies if**

		the hedged item is otherwise measured at cost.
	Para 90	Para 90 If only particular risks attributable to a hedged item are hedged, recognised changes in the fair value of the hedged item unrelated to the hedged risk are recognised as set out in paragraph 5.7.1 of SLFRS 9.
	Para 97	**Para 97** **If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income in accordance with paragraph 95 shall be reclassified from equity to profit or loss as a reclassification adjustment (see LKAS 1) in the same period or periods during which the hedged forecast cash flows affect profit or loss (such as in the periods that interest income or interest expense is recognised). However, if an entity expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into profit or loss as a reclassification adjustment the amount that is not expected to be recovered.**
	Para 100	**Para 100** **For cash flow hedges other than those covered by paragraphs 97 and 98, amounts that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment (see LKAS 1) in the same period or periods during which the hedged forecast cash flows affect profit or loss (for example, when a forecast sale occurs).**

LKAS 40 – Investment Property

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 40	Para 67	Para 67 The disposal of an investment property may be achieved by sale or by entering into a finance lease. In determining the date of disposal for investment property, an entity applies the criteria in LKAS 18 for recognising revenue from the sale of goods and considers the related guidance in the illustrative examples accompanying LKAS 18. LKAS 17 applies to a disposal effected by entering into a finance lease and to a sale and leaseback.

LKAS 41 – Agriculture

Standard	Existing Para Reference	Replaced /added paragraph
LKAS 41	Appendix	Moved to application Guidance accompanying the standard.