

**UNCTAD-Intergovernmental Working Group of Experts on
International Standards of Accounting and Reporting
Workshop on Accounting and Financial Reporting Standards**

Monday, 3 October 2016
Room XXVI, Palais des Nations, Geneva
Afternoon Session

IFRS 16 – Leases

Presented by

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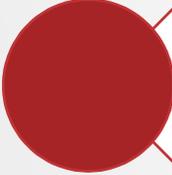
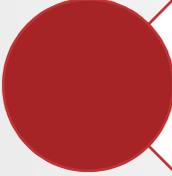
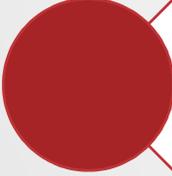
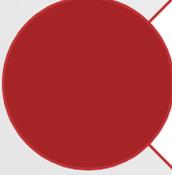
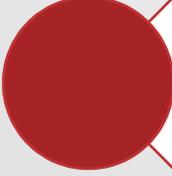
ISAR WORKSHOP ON ACCOUNTING AND FINANCIAL REPORTING STANDARDS

Sri Lanka's Implementation Considerations for IFRS 16 - Leases

Kalani Hettiarachchi
Assistant Technical Manager- SLAASMB
October 3, 2016

SLAASMB

Outline

-  **Introduction to Sri Lanka**
-  **IFRS Background in Sri Lanka**
-  **IFRS 16 in Sri Lanka**
-  **Potential Impacts - An industry Perspective Analysis**
-  **Things to Consider in Implementation**

IFRS background in Sri Lanka

➤ *The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)*

- Promulgates and adopts Accounting Standards (SLFRSs) and Auditing Standards (SLAuSs)
- Issues guidelines and Statements of Recommended Practices
- SLFRS are fully converged with IFRSs
- The observances of the SLFRSs are mandatory for Public Interest Entities (PIEs)

➤ *Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)*

- Independent Regulator responsible for monitoring compliance of standards in accounting and auditing in relation to financial statements of PIEs

IFRS 16 in Sri Lanka

- Sri Lanka Accounting Standard SLFRS 16- Leases
- Effective date - 1 January 2019



Potential Impacts - An Industry Perspective Analysis

Taxes less Subsidies
on Products, 9.30%



Industries, 26.20%

Professional Services
and Other Personal
Service Activities,
11.80%



An Industry Perspective Analysis

Lands used by Agriculture and Leisure Sector



Background

- Lands owned by the government of SL
- Leased out to companies as operating leases
- Lease term – Relatively longer period (ex: 99 Years)

Accounting

- **IFRS 16**
Lessee recognizes at the commencement of a lease the right-to-use land as an asset and liability to make lease payments
- Right-to-use land is amortised over the lease term

Things to consider in implementation

- Start early
- Gap analysis
- Proper identification of the contract
- Measurement of cost of right-to-use asset and lease liability
- Identification of the Changes in lessee's key financial metrics
- Accuracy of data

Concluding Remarks

- Early stage of awareness and implementation
 - CA Sri Lanka – *Awareness programmes*
 - Auditors (Big 3) – *Gap analysis*
 - Regulator (SLAASMB) – *Internal training, Expectations identified*
- Practical implementation issues have not yet arisen



Start Early



SLAASMB



THANK YOU

A group of hands holding up large red letters that spell out "THANK YOU". The letters are thick and three-dimensional, and the hands are of various skin tones, suggesting a diverse group of people. The background is white, and the entire scene is framed by a light gray border.