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

Kalani Hettiarachchi
Assistant Technical Manager
Sri Lanka Accounting and Auditing Standards Monitoring Board

This material has been reproduced in the language and form as it was provided. The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
Sri Lanka’s Implementation Considerations for IFRS 16 - Leases

Kalani Hettiarachchi
Assistant Technical Manager- SLAASMB
October 3, 2016
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

- Plantation: 26.20%
- Professional Services and Other Personal Service Activities: 11.80%
- Healthcare: 9.30%
- Taxes less Subsidies on Products
- Retail
- Leisure
- Telecom
- Banking & Finance
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**

- In accordance with Statement of Recommended Practice (SoRP) issued by CA Sri Lanka on Right-to-use of Land on Lease
- 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

**IFRS 16**
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
THANK YOU