

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

1.1. Domiciles and Legal Form

Vavuniya South Sinhala Pradeshiya Sabha is a Government Sector under Pradeshiya Act No 15 of 1987 of Sri Lanka. The office is situated at A-9 Road, Errataperiyakulam.

1.2. Principle Activities and Nature of Operations

Vavuniya South Sinhala Pradeshiya Sabha is primarily involved in Public Service and Infrastructure Development.

1.3. Total Number of Employees

The number of employees of the Pradeshiya Sabha as at 31 December 2021 was 38.

2. BASIS OF PREPARATION

3. (SLPSAS 01 – Presentation of Financial Statements)

3.1. Statement of Compliance

The statement of financial position, statement of Income and Expenditure and statement of cash flow (“Financial Statements”) of the Pradeshiya Sabha are prepared in accordance with Sri Lanka Public Sector Accounting Standard.

3.2. Basis of Measurement

The financial statement of the Pradeshiya Sabha have been prepared on historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements except for the defined benefit plan.

3.3. Functional and Presentation Currency

The financial statements of the Pradeshiya Sabha are prepared in Sri Lankan Rupees (LKR).

4. CASH FLOW STATEMENTS (SLPSAS 02)

The Cash statements of the Pradeshiya Sabha are prepared in Indirect Method.

5. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES & ERRORS (SLPSAS 03)

The Financial Statements of the Pradeshiya Sabha are prepared according to Accrual Basis.

6. BORROWING COST (SLPSAS 04)

All the Assets are carrying in Borrowing Cost.

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7. THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATE (SLPSAS 05)

Not Applicable.

8. EVENTS AFTER THE REPORTING DATE (SLPSAS 06)

The Financial Statements of the Pradeshia Sabha are prepared according to Accrual Basis.

9. PROPERTY, PLANT & EQUIPMENT (SLPSAS 07)

ASSETS AND BASES OF THEIR VALUATION

Assets classified as current assets in statement of financial position are cash and bank balances and those, which are expected to be realized in cash during the normal operating cycle, or within one year from the reporting date, whichever is shorter. Assets other than current assets are those, which the Pradeshia Sabha intends to hold beyond the one year period calculated from reporting date.

9.1. Property, Plant and Equipment

9.1.1. Recognition and Measurement

Property, plant and equipment are stated at cost.

9.1.2. Owned Assets

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the assets to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs on qualifying assets.

9.2. Trade and Other Receivables

Trade and other receivables are stated at the amounts estimated to realize.

9.3. Cash and Cash Equivalents

Cash and cash equivalent are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

10. Provision, Contingent Liabilities, Contingent Assets (SLPSAS 08)

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation and a reliable estimate can be made of the amount of the obligation.

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All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote.

Contingent assets are disclosed, where inflow of economic benefit is probable.

11. INVENTORIES (SLPSAS 09)

FIFO Method

12. REVENUE FROM EXCHANGE TRANSACTIONS (SLPSAS 10)

12.1. Revenue Recognition

Revenue is recognized when the risk and rewards are transferred to customers.

12.2. Expenditure Recognition

Expenses are recognized in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.