

# GRAP Exposure Drafts

## November 2016



# Overview

## Exposure Drafts for comment:

- ED 144 to 148 – Proposed Standards of GRAP on *Interests in Other Entities* (30 November 2016)
- ED 149 – Proposed *Conceptual Framework* (17 February 2017)
- ED 151 on Proposed IGRAP on *Recognition and Derecognition of Land* (15 December 2016)
- ED 152 – Proposed IGRAP on *Liabilities to Pay Levies* (31 January 2017)
- ED 153 – Proposed *Improvements to Standards of GRAP 2016* (30 December 2016)



**Proposed Standards of  
GRAP on  
*Interests in Other  
Entities***



# Background

- Alignment of GRAP 6, 7 and 8 with equivalent IPSASs issued during 2014
  - ED 144 – *Separate Financial Statements*
  - ED 145 – *Consolidated Financial Statements*
  - ED 146 – *Investments in Associates and Joint Ventures*
  - ED 147 – *Joint Arrangements*
  - ED 148 – *Disclosure of Interests in Other Entities*



# Significant changes to current GRAPs

- New definition of control
- Investment entities
- Classification of joint arrangements
- Removal of proportionate consolidation
- Disclosure requirements in one Standard
- Guidance on separate financial statements in one Standard





# New definition of control

- Revised definition includes 3 elements i.e. a controlling entity's
  - Power over controlled entity
  - Exposure, or rights to variable benefits from its involvement with controlled entity
  - Ability to use its power over controlled entity to affect nature and amount of controlled entity's benefits



# Investment entities

- Investment entity is an entity that:
  - Obtains funds from one or more investor with purpose to provide investment management services
  - Has the purpose of investing funds solely for returns from capital appreciation, investment revenue or both
  - Measures and evaluates performance of substantially all of its investments on fair value basis



# Investment entities

- Specific accounting guidance
  - Investment entity shall not consolidate its controlled entities → measure investment at FV
  - If investment entity has a controlled entity that is not itself an investment entity and whose activities are to provide services that relate to an investment entity's investment activities → consolidate the controlled entity in accordance with ED 145






# Investment entities

- Specific accounting guidance
  - A controlling entity of investment entity that is not in itself an investment entity must present consolidated fin statements in which:
    - Investment of controlled investment entity is presented at fair value in consolidated financial statements (GRAP 104)
    - Other assets/liabilities/revenue/expenses consolidated in accordance with ED 145





# Classification of Joint Arrangements

- GRAP 8 *Joint Ventures*
    - Jointly controlled entities/operations/assets
  - ED 147 *Joint Arrangements*
    - Joint operation
      - Rights to assets and obligations to liabilities
      - Account for REAL ito applicable GRAP
    - Joint venture
      - Rights to net assets
      - Account for investment in joint venture → equity method unless exempted
- 




# Removal of proportionate consolidation

- GRAP 8
  - Equity method or proportionate consolidation to account for jointly controlled entity
- ED 146 removed proportionate consolidation
  - IASB concluded that inappropriate as parties neither have rights to assets nor obligations for liabilities → IPSASB concurred with conclusion
- ED 146 → combined accounting for associates and joint venture in single std





# One disclosure Standard

- One Standard to bring together all disclosures in relation to controlled entities, associates, joint arrangements and structured entities
  - Also includes new disclosure requirements
  - Additional application guidance to understand disclosures related to interests in other entities
  - SMC → Are all disclosures useful or should some be eliminated
- 



# Guidance on separate f/s in one Standard

- Guidance in one Standard (ED 144)
- SMC → Account for similar investments in controlled entities, JV or associate:
  - At cost
  - In accordance with GRAP 104
  - Using equity method (ED 146)
- Ceases to be investment entity → apply above accounting methods





**ED 149**

**Proposed Conceptual  
Framework for General  
Purpose Financial  
Reporting**

# Purpose of CF

- Establishes concepts to be applied by the Board in developing GRAP
- Provides guidance for preparers of general purpose financial reports (GPFRs) of p/sector entities where no GRAP
- Supersedes existing Framework once approved by the Board

# Scope of CF

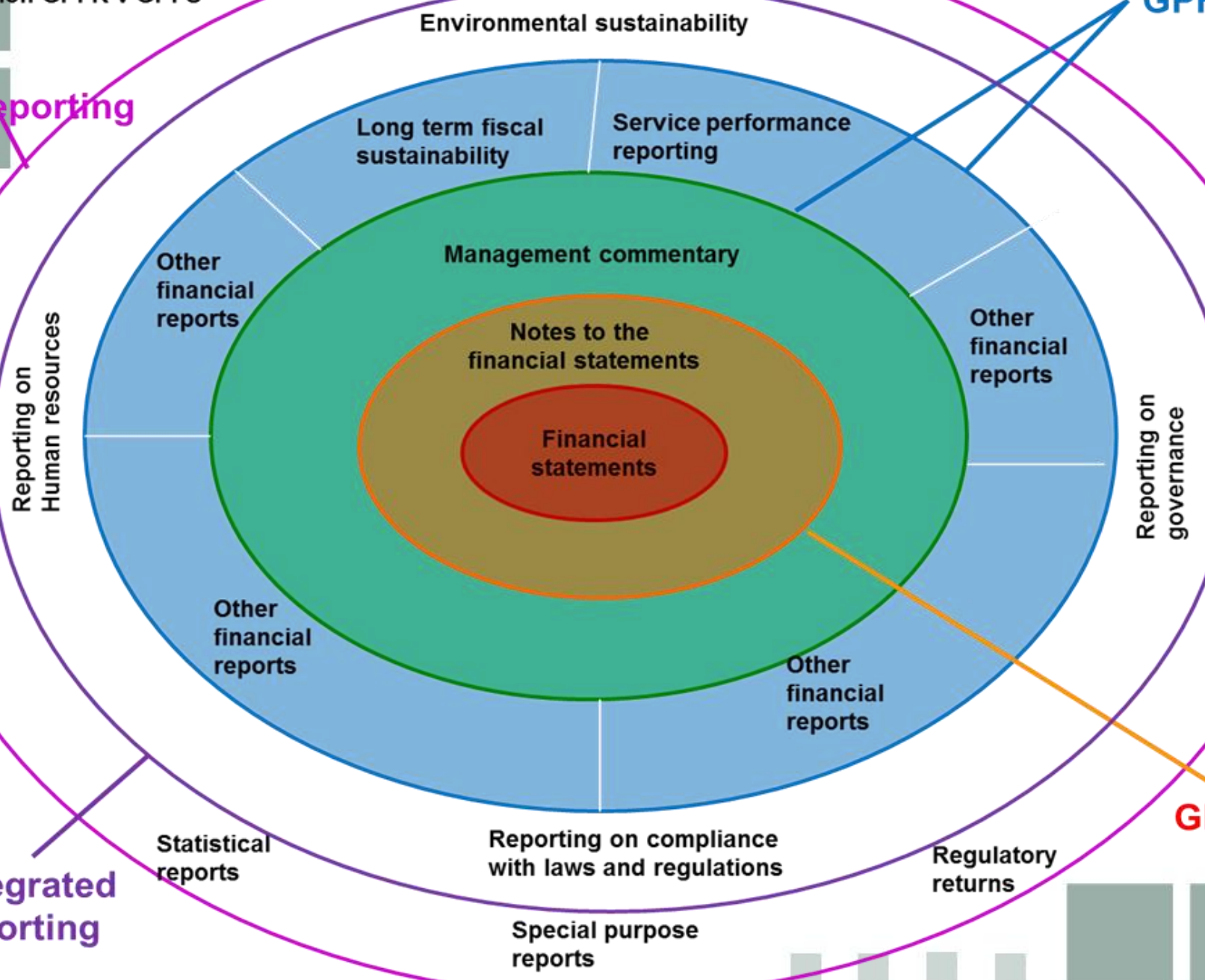
- CF proposes a broader scope of financial reporting
- More comprehensive than that encompassed by F/S
- Applies to GPFRs and not only GPFSS
  - GPFRs = general purpose financial reports → encompass F/S but also provide financial and non-financial info
  - additional info enhances, complements and supplements F/S



Diagram 1 –  
Delineation GPFR v GPFS

All reporting

GPFRs



Integrated reporting

GPFSs



# Reasons for broader scope

- Entities already reporting this additional information but no set of principles set to guide preparation and presentation of information
- Framework that guides the preparation and presentation of this information needed

# Reasons for broader scope

- Broader scope DOES NOT imply Board will issue reporting requirements
  - entities still need to adhere to reporting requirements set by other institutions
  - CF concepts relating to GPFRs are not authoritative but merely serve as guide for preparing and presenting GPFRs

# Overview of CF

Chapter in CF	Scope
Preface	
1. Role and authority of the Conceptual Framework	GPFRs
2. Objectives and users of General Purpose Financial Reporting	
3. Qualitative characteristics	
4. Reporting entity	
5. Elements in financial statements	GPFSSs
6. Recognition in financial statements	
7. Measurement of assets and liabilities in financial statements	
8. Presentation in General Purpose Financial Reports	GPFRs



# **Proposed IGRAP on *Recognition and Derecognition of Land***



# Feedback from Board

- Re-exposure ED 139
- ED 139 proposed 3 indicators of control
- Respondents
  - (a) had concerns with requirement that use of land needs to reflect significant period of time
  - (b) requested that difference between indicators relating to entity's right to direct/restrict access to land, and enforceable right granted be clarified



# Feedback from Board

- Board proposed combining 2<sup>nd</sup> and 3<sup>rd</sup> indicator:
  - Where entity has right to use land for period of time → right of use must be indefinite period **and**
  - Entity must demonstrate that it has certain substantive rights → apply indicators included ED
  - Where entity is custodian of land → land or its associated rights cannot be transferred to another entity unless also custodian



# Feedback from Board

- Existence of binding arrangement
  - Lack of formalised agreements between entity and traditional authority
  - Conclude that evidence available in majority of instances
  - NO amendment to requirement that binding arrangement must exist → take action if absent





# Feedback from Board

- Proposed implementation date
  - 1 April 2019 to allow stakeholders to
    - update other guidance
    - complete other financial management reforms
    - comply with requirements
- Effective date of GRAP 13.17
  - If lease includes both land and structure each element assessed and classified separately
  - Align effect date with that of IGRAP



# Proposed Improvements to Standards of GRAP 2016

# Background & Objective

- Improvements → periodic revisions to effective Standards of GRAP
  - last improvements made in 2013
- Proposed improvements for 2016 include changes resulting from:
  - general improvements
  - IPSASB's amendments
  - IASB's amendments



# Improvements

- Clarification on how assets should be measured when exchanged in like-for-like exchanges
- Treatment of transaction costs in a non-exchange transaction
- Clarifying adjustments made to carrying amounts of assets when the revaluation model is applied



# Improvements

- Clarifying whether depreciation and amortisation methods based on revenue are acceptable
- Treatment of bearer plants as property, plant and equipment
- Change in terminology and classification of military inventories and weapon systems



# Improvements

- Treatment of the contingent consideration in a transfer of functions not under common control
- Assessing whether the acquisition of investment property is the acquisition of an asset, or a transfer of functions
- Deletion of illustrative examples in GRAP 18 on *Segment Reporting*



# **Proposed IGRAP on *Liabilities to Pay Levies***

# Background to project

- Project added when Board questioned inclusion of IFRIC 21 in GRAP Reporting Framework.
- Initial stage of project:
  - assess applicability of IFRIC 21 in public sector
  - Board agreed in June 2016 that a local IGRAP should be developed





# Objective

- Provide guidance on accounting for **levies** in financial statements of entity that is **paying** levy
- Clarifies **when entity should recognise a liability** to pay levy accounted for ito  
GRAP 19



# Definition

A levy is:

- non-exchange transaction;
- results in an outflow of resources (i.e. FEB or SP); and
- imposed by government on entities as per legislation or similar means



# Scope

- Liability to pay a levy within scope of GRAP 19
  - also covers those with certain timing and amount
- Clarifies when entity should recognise a liability to pay levy accounted for ito GRAP 19

# Application of definition & scope

When determining whether an outflow of resources is a levy consider:

- substance of the outflow rather than use of term “levy”;
- is it imposed by government?
- is it non-exchange transaction?
- within scope of another Standard?
- is it a fine or penalty imposed for breach of legislation or similar means?

# When is a liability to pay a levy

- Obligating event is:
  - activity triggering the payment of levy as per legislation or similar means
  - not triggered by economic compulsion or going concern assumption
- Activity triggering payment occurs
  - progressively over time e.g. activity occurs throughout year;
  - point in time e.g. specific date or when transaction occurs



# Stakeholder outreach and communication



# Outreach activities

- Continuous promotion of GRAP by improving outreach to stakeholders (workshops, meetings, seminars, SAICA webinars)
- Stakeholders should liaise with ASB when requiring any engagements
- Newsletters & Meeting Highlights
- Social media
- Handbook (order form available on website or on request)

# Translation

- Standards translated into isiZulu, Sesotho and Afrikaans
- The official version is the English language version
- Available on website



# Website

- Overview of changes made to Standards with effect from 1 April 2016.
- Three set of Standards:
  - Those entities with a December year-end
  - The Standards applicable for the current year
  - The Standards applicable for the next financial year
- Please register on website if you want to be advised of changes:

<http://www.asb.co.za/GRAP/Subscribe-to-email-alerts>



# Submitting comments

Visit our website for more information  
on these Exposure Drafts

[www.asb.co.za](http://www.asb.co.za)

Submit your comments to

[info@asb.co.za](mailto:info@asb.co.za)



**THANK YOU**



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