Developments in Standards of GRAP
30 March 2017
Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.
Overview

• Newly effective Standards.
• Amendments 2016 and beyond.
• Current projects
• Key projects 2017/18
Newly effective Standards of GRAP
<table>
<thead>
<tr>
<th>Pronouncements</th>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRAP 105 <em>Transfers of Functions Between Entities Under Common Control</em></td>
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</tbody>
</table>
| - One entity acquires control over another entity or part of an entity *(function)* in same economic entity.  
| - Assets and liabilities measured at carrying amounts.  
| - Difference in Acc surplus or deficit |
| GRAP 106 *Transfers of Functions Between Entities not Under Common Control* |  
| - One entity acquires control over another entity or part of an entity *(function)*.  
| - Assets and liabilities measured at fair value.  
| - Difference in surplus or deficit |
| GRAP 107 *Mergers* |  
| - None of the existing parties gains control of another.  
| - Assets and liabilities at carrying amounts.  
| - Accumulated surplus or deficit. |
Amendments to Standards of GRAP
<table>
<thead>
<tr>
<th>Pronouncements</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to the Directives</td>
<td>Repeals certain sections in Directives 2, 3, and 4 relating to the 3-year measurement period for assets and liabilities resulting from Transfers of Functions and Mergers.</td>
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<tr>
<td></td>
<td>Now prescribes a 2-year measurement period as a result of the impact of GRAP 105,106 and 107.</td>
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<tr>
<td></td>
<td>Effective date 1 July 2015</td>
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<tr>
<td>Pronouncements</td>
<td>Objective</td>
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</tbody>
</table>
| Amendments to *Investment Property* (GRAP 16) & *Property, Plant and Equipment* (GRAP17) | Simplify and clarify certain principles:  
  - Investment property vs property, plant & equipment distinction.  
  - Useful lives and residual values.  
  - Use of external valuers.  
  Additional disclosure for users for improved decision-making:  
  - Disclosure on capital WIP.  
  - Encouraged disclosures removed.  
  - Repairs & maintenance disclosure  
  - Transitional provisions differ for each amendment.  
  - Effective date 1 July 2016 |
## Amendments – 2016 and beyond

<table>
<thead>
<tr>
<th>Pronouncements</th>
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<tbody>
<tr>
<td>Amendments to the Impairment Standards (GRAP 21 and GRAP 26)</td>
<td>• Simplify and clarify approach to assess for impairment of cash/non-cash generating assets.</td>
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<tr>
<td></td>
<td>• Effective date 1 July 2018.</td>
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<tr>
<td><strong>GRAP Reporting Framework for 2017/18 and Amendments to Directive 5</strong></td>
<td>• Prescribes the reporting framework for entities for financial periods commencing on or after 1 July 2017.</td>
</tr>
<tr>
<td></td>
<td>• No change in GRAP Reporting Framework from prior year.</td>
</tr>
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<td>• Effective date 1 July 2017</td>
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Approved but not yet effective Standards of GRAP
Standards approved, not yet effective

<table>
<thead>
<tr>
<th>Pronouncements</th>
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<tbody>
<tr>
<td>• GRAP 18 Segment Reporting</td>
<td>• Identify reportable segments and require additional disclosure in notes of REAL</td>
</tr>
<tr>
<td>• GRAP 20 Related Party Disclosures</td>
<td>• Defines related parties and disclosures</td>
</tr>
<tr>
<td>• GRAP 108 Statutory Receivables</td>
<td>• Define statutory receivables, explains interaction with GRAP 9 &amp; 23.</td>
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<td></td>
<td>• Principles for subsequent measurement.</td>
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<tr>
<td>• GRAP 109 Accounting by Principals and Agents</td>
<td>• Defines principal-agent arrangements.</td>
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<tr>
<td></td>
<td>• Criteria to assess if agent.</td>
</tr>
<tr>
<td></td>
<td>• Outline of what should be recognised (using other Standards of GRAP).</td>
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</tbody>
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Current projects
Current Projects

- Proposed IGRAP on *Recognition and Derecognition of Land* (ED 151)
- Proposed Standards of GRAP on *Interests in Other Entities* (ED 144 – ED 148)
- Proposed *Improvements to Standards of GRAP (2016)* (ED 152)
ED 151 – IGRAP
Recognition and Derecognition of Land
Background & objective

• Feedback from PIR
• Uncertainty about legal title vs control when accounting for land
• Develop an Interpretation of Standards of GRAP dealing with recognition & derecognition of land
Status of project

- Comment deadline 15 December 2016
- Board meeting in March 2017 to consider comment and amendments
Transitional provisions

• On date of adoption
  – Apply prospective to binding arrangements related to land that exists
  – Adjustments against opening accumulated surplus or deficit
  – If acquisition cost not known – determine deemed cost in Directive 7

• Apply to any new arrangements relating to land after date of adoption
Effective date

- Proposed implementation date
  - 1 July 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 effective date with that of IGRAP
ED 144 to 148 - Proposed Standards of GRAP on Interests in Other Entities
Background & objective

• 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
Status of project

- Comment deadline 30 November 2016
- Board meeting in March 2017 to consider comment and amendments
Transitional provisions and effective date

- Transitional provisions
  - To be considered as a separate project once comment on ED 144 to 148 received

- Effective date
  - Based on comment received Board will assess if new effective date needs to be determined by Minister of Finance
Significant changes to current GRAPs

- New definition of control
- Investment entities
- Structured entities
- Classification of joint arrangements
- Removal of proportionate consolidation
- Disclosure requirements in one Standard
- Guidance on separate financial statements in one Standard
ED 152 - 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

• Comment deadline 30 December 2016
• Proposed amendments include
  – Clarify treatment of transaction costs for assets acquired in non-exchange transaction
  – Revise wording on measurement of assets for exchange of assets
  – Amend measurement of bearer plants
  – Clarify how to restate assets when measured using revaluation model
Background & objective

– Provide guidance on appropriateness of revenue-based depreciation methods

– Provide guidance on classification of military assets

– Provide requirements for assessing when acquisition of investment prop is an acquisition of an asset vs transfer of functions
Status of project

• Comment deadline 30 December 2016
• Board meeting in March 2017 to consider comment and amendments
Transitional provisions and effective date

- Transitional provisions
  - Outlined for each proposed amendment

- Effective date
  - Propose effective date of 1 July 2018 for submission to Accountant-General
Completed projects
Completed Projects

- Guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme
- Standard of GRAP on Living and Non-living Resources (GRAP 110)
Guideline on Arrangements Undertaken in terms of the National Housing Programme
Background & objective

• Feedback from PIR

• Resulted from inconsistent accounting for housing arrangements

• Develop high-level guidance to account for national housing programmes

• Entities applying accrual accounting
  – excludes Provincial Housing Funds & social housing
Status of project

• Comment deadline 15 June 2016
• Approved for issue at December 2016 Board meeting
• Publication delayed until March 2017, to consider final amendments to proposed IGRAP dealing with land
Effective date

• No effective dates for Guidelines

• Guidelines are not mandatory unless included in Directive 5 Reporting Framework

• Mandatory from the later of 1 July 2019 OR effective of GRAP 109 Accounting by Principals and Agents (date still to be determined by MoF)
Standard of GRAP on Living and Non-living Resources (GRAP 110)
Background & objective

- No guidance on accounting of living resources (LRs) and non-living resources (NLRs).
- Inconsistent accounting treatments.
- Develop a Standard of GRAP to provide guidance on the
  - recognition, measurement, presentation and disclosure of LRs; and
  - disclosure of NLRs.
Status of project

- Comment deadline 29 July 2016
- GRAP 110 approved, in principle, for issue at December 2016 Board meeting
  - Subject to consequential amendments from ED 152
Transitional provisions and effective date

• Transitional provisions
  – Propose retrospective application and three year measurement relief period
  – To be considered at March 2017 Board meeting

• Effective date
  – Propose effective date of 1 July 2019 to Minister of Finance
Key projects 2017/18
Board agreed to undertake projects in 2017-18 based on urgency, impact on accountability & decision-making; or to align with other financial management reforms.

### What to expect for 2017/18

<table>
<thead>
<tr>
<th>Task Description</th>
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<tbody>
<tr>
<td>Finalise revision to Conceptual Framework (ED 149)</td>
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<tr>
<td>Finalise IGRAP on Liabilities to Pay Levies (ED 153)</td>
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<td>Commence research &amp; development on Application of Materiality in Preparation of FS</td>
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<td>Publish final guidance on Accounting for Adjustment to Revenue</td>
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<td>Research &amp; development of guidance on Accounting for Landfill Sites</td>
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<td>Research of Interim Financial Statements</td>
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<td>Research current issues with preparation of national &amp; provincial consolidations</td>
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<td>Research &amp; consultation on amendments to Financial Instruments</td>
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<td>Review practice on presentation of Statement of Financial Performance</td>
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<td>Update GRAP Reporting Framework</td>
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<td>Respond to other issues identified during work programme consultation</td>
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ED 149 - Proposed Conceptual Framework for General Purpose Financial Reporting
Background & objective

• IPSASB issued its CF in October 2014
  – Board reviewed IPSASB CF to assess appropriateness for local environment
  – Results of review published in Research report
  – Board agreed to adopt CF in its entirety, and modify in some respects

• Developed ED 149 based on IPSASB’s CF, modified for local issues

• ED 149 approved for issue in June 2016

• Comment deadline 17 February 2017
Background & objective

• 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
ED 153 - Proposed IGRAP on Liabilities to Pay Levies
Background & objective

• Project added when Board questioned inclusion of IFRIC 21 in Directive 5.

• Initial stage of project:
  – assess applicability of IFRIC 21 in public sector
  – Board agreed in June 2016 that a local IGRAP should be developed

• ED 149 approved for issue in September 2016

• Comment deadline 31 January 2017
Background & objective

• Provide guidance on accounting for levies in f/s of entity that is paying the levy.

• Clarifies when entity should recognise a liability to pay levy accounted for ito GRAP 19.
Questions?
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 (20% discount until June 2017 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
THANK YOU
Contact details

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