

# Developments in Standards of GRAP 30 March 2017



Accounting Standards Board





# 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



# Standards effective from 1 July 2015

## Pronouncements

## Overview

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>GRAP 105 <i>Transfers of Functions Between Entities Under Common Control</i></li></ul>     | <ul style="list-style-type: none"><li>One entity acquires control over another entity or part of an entity (<b>function</b>) in same economic entity.</li><li>Assets and liabilities measured at carrying amounts.</li><li>Difference in Acc surplus or deficit</li></ul> |
| <ul style="list-style-type: none"><li>GRAP 106 <i>Transfers of Functions Between Entities not Under Common Control</i></li></ul> | <ul style="list-style-type: none"><li>One entity acquires control over another entity or part of an entity (<b>function</b>).</li><li>Assets and liabilities measured at fair value.</li><li>Difference in surplus or deficit</li></ul>                                   |
| <ul style="list-style-type: none"><li>GRAP 107 <i>Mergers</i></li></ul>  | <ul style="list-style-type: none"><li>None of the existing parties gains control of another.</li><li>Assets and liabilities at carrying amounts.</li><li>Accumulated surplus or deficit.</li></ul>  |



# Amendments to Standards of GRAP

# Additional amendments related to GRAP 105-107

## Pronouncements

## Objective

- Amendments to the Directives
- 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.
- Now prescribes a 2-year measurement period as a result of the impact of GRAP 105,106 and 107.
- Effective date 1 July 2015

# Amendments – 2016 and beyond

## Pronouncements

## Objective

- 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

## Pronouncements

## Objective

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>• Amendments to the Impairment Standards (GRAP 21 and GRAP 26)</li></ul>              | <ul style="list-style-type: none"><li>• Simplify and clarify approach to assess for impairment of cash/non-cash generating assets.</li><li>• Effective date 1 July 2018.</li></ul>  |
| <ul style="list-style-type: none"><li>• <i>GRAP Reporting Framework for 2017/18 and Amendments to Directive 5</i></li></ul> | <ul style="list-style-type: none"><li>• Prescribes the reporting framework for entities for financial periods commencing on or after 1 July 2017.</li><li>• No change in GRAP Reporting Framework from prior year.</li><li>• Effective date 1 July 2017</li></ul> |



# Approved but not yet effective Standards of GRAP



# Standards approved, not yet effective

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



# 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 ito 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

# Background & objective

- 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



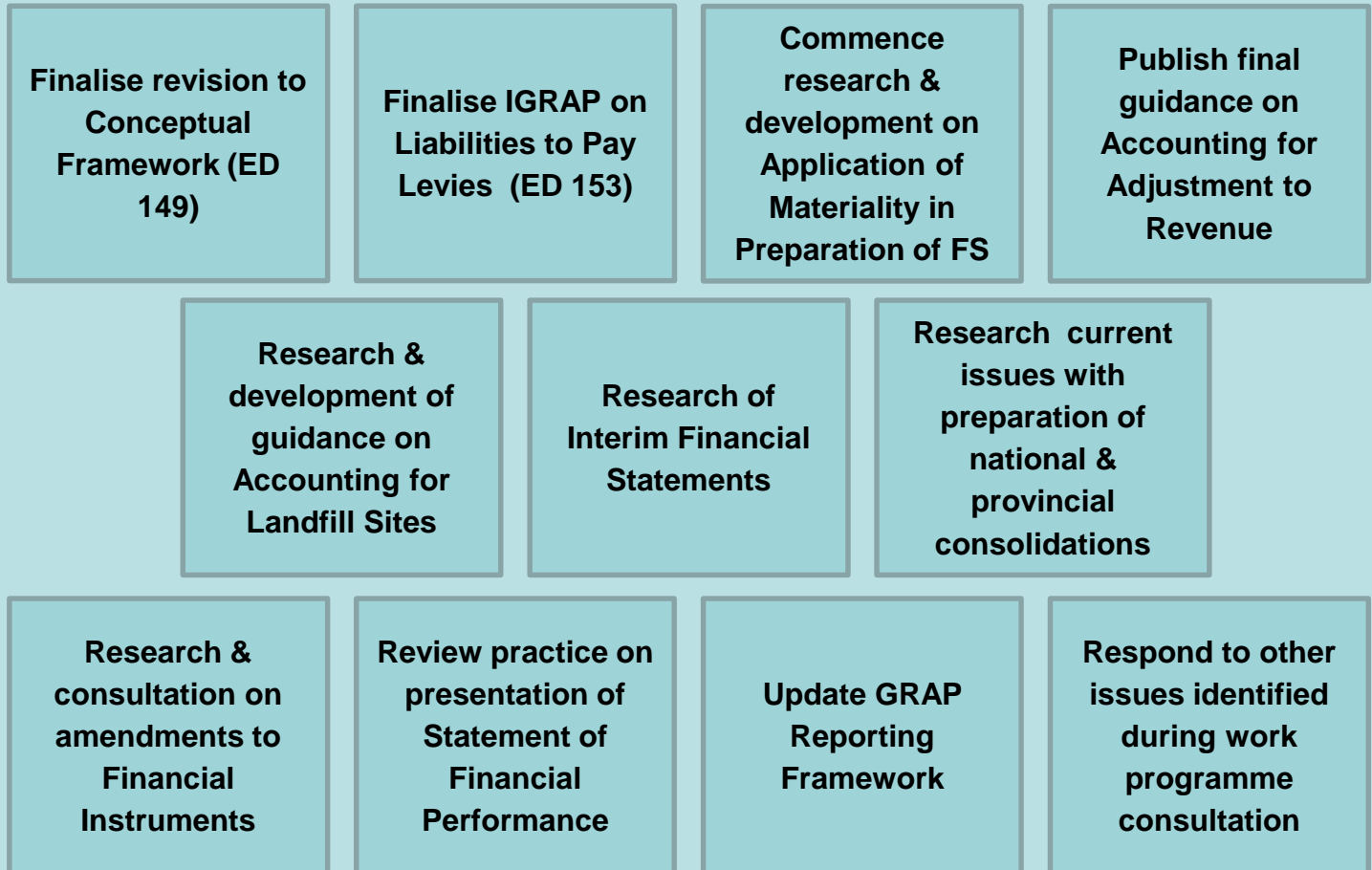
# Key projects 2017/18





# What to expect for 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





# **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 its 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**





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