

GRAP Update

PE CFO Forum

21 November 2019





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

1. Current Exposure Drafts
2. New Projects
3. New FAQs



Current Exposure Drafts

Current Exposure Drafts

Pronouncement	Status
Proposed Transitional Provisions for the Revision of GRAP 104 on <i>Financial Instruments</i>	Comment deadline 29 November 2019
IPSASB Exposure Draft on <i>Public Sector Specific Financial Instruments: Amendments to IPSAS 41, Financial Instruments</i>	Comment deadline 17 December 2019



New Projects

New projects

Pronouncement	Status
Post-implementation review of GRAP 103 on <i>Heritage Assets</i>	Approve as ED in December 2019
<p><u>Objective</u> Solicit feedback from preparers, users, auditors:</p> <ul style="list-style-type: none"> • Amendments required to GRAP 103 • Other actions required to address issues <p><u>2-phase approach</u></p> <ul style="list-style-type: none"> • Desktop review (completed) • Direct stakeholder consultation and questionnaire <p><u>Next step</u> Board approve <i>Invitation to Participate</i></p>	

New projects

Pronouncement	Status
Combined Financial Statements	Issues paper in December 2019
<p><u>Background</u> Guidance required for preparing <u>combined financial statements</u> where basis of consolidation is not control per GRAP 35 <i>Consolidated Financial Statements</i></p> <p><u>Objective</u> Board considers developing Standard of GRAP New principles, applying “reporting entity” concept in CF</p> <p><u>Next step</u> Decisions based on results of initial research</p>	

New projects

Pronouncement	Status
Research Paper on <i>Reporting Information to the Public</i>	Approve Research Paper in December 2019
<p><u>Background</u> Public one of key users of government AFS, but unable to get information needed</p> <p><u>Objective</u> Initial research on:</p> <ul style="list-style-type: none"> • Type of information public needs • Whether simplified reporting outside AFS will meet public's needs <p><u>Next step</u> Approve Research Paper for publication</p> <ul style="list-style-type: none"> • Assist entities to better report information to the public 	

New projects

Pronouncement	Status
Directive on <i>The Application of Standards of GRAP by Entities that Apply IFRS Standards</i>	Approve as final Directive in December 2019
<p><u>Background</u> When and in what circumstances may Standards of GRAP be considered to develop accounting policies Based on IAS 8 <i>Accounting Policies, Changes in Estimates and Errors</i></p> <p><u>Status of project</u> ED was out for comment Board considering comment and approve final Directive in December</p>	



New FAQs

New FAQs

FAQ	Issued
Amendments to existing FAQs: <ol style="list-style-type: none"> 1. Fully depreciated assets still in use 2. Whether graves and cemeteries are heritage assets 	September 2019

FAQ	Context
1. Fully depreciated assets still in use	Clarified: <ul style="list-style-type: none"> • Entities should adjust, unless immaterial • What considered when assessing useful lives
2. Whether graves and cemeteries are heritage assets	Added to existing FAQ on statues, sculptures and monuments Same considerations for graves and cemeteries - Test if meets the definition

New FAQs

FAQ	Issued
<p>New FAQs:</p> <ol style="list-style-type: none"> 1. The role of materiality in reporting information in the financial statements 2. Whether changes to useful lives, residual values and depreciation methods are changes in estimates or errors 3. How entities should determine the value of repairs and maintenance 4. Discounting of receivables and payables 	<p>September 2019</p>

New FAQs

FAQ	Context
<p>1. Role of materiality in reporting information in AFS</p>	<p>Objective of financial reporting – provide <u>relevant</u> information to users, affected by nature and materiality</p> <ul style="list-style-type: none"> • ASB Guideline on <i>The Application of Materiality to Financial Statements</i>
<p>2. Are changes to useful lives, residual values & depreciation methods changes in estimates/errors</p>	<p>GRAP 17 <i>Property, Plant and Equipment</i>: Indication of change since previous reporting period = Change in estimate, unless error (GRAP 3)</p>

New FAQs

FAQ	Context
<p>3. How entities should determine the value of repairs and maintenance</p>	<p>GRAP 17: disclosure in notes, but does not prescribe how to determine</p> <ul style="list-style-type: none"> • May be internally or externally incurred <p>Disclose how determined</p>
<p>4. Discounting of receivables and payables</p>	<p><u>Part A: Determining if initial credit period consistent with terms used in public sector</u></p> <p>Consider if legislation exists:</p> <ul style="list-style-type: none"> • Yes = entity compares its credit period to legislation • Yes, but secondary = compare to other entities' secondary legislation to establish norm

New FAQs

FAQ	Context
<p>4. Discounting of receivables and payables (cont.)</p>	<p><u>Part B: Can exemption be applied to receivables if interest rate not market related?</u> Part A applies - no discounting even if not market related 2 scenarios if interest not market related: a) Paid on due date – interest effect immaterial b) No payment – effect may be material. Consider in determining if impaired.</p>
	<p><u>Part C: Common misconceptions</u> 1. Discounting vs. Impairment • Different purposes 2. Discounting vs. IGRAP 1 <i>Applying Probability on Initial Recognition of Revenue</i> • No inconsistency; full amount of revenue still recognised</p>

New FAQs

FAQ	Issued
<p>New FAQs:</p> <ol style="list-style-type: none"> 1. Presentation of revenue and receivables 2. Definition of an investment entity 3. “Curing” of interest on impaired financial instruments (GRAP 104 2019) 	<p>October 2019</p>

New FAQs

FAQ	Context
1. Presentation of revenue and receivables	Based on requirements of Standards Clarifies when on face of statements vs. notes
2. Definition of an investment entity	Explains considerations when making assessment of whether definition met
3. “Curing” of interest on impaired financial instruments	Classification in statement of financial performance: <ul style="list-style-type: none"> • Reversal of impairment losses

New FAQs

FAQ	Issued
<p>New FAQs:</p> <ol style="list-style-type: none"> 1. Disclosures on newly effective Standards of GRAP 2. Effect of land invasions on recognition of land 3. Whether all errors are accounted for using GRAP 3 4. Whether all adjustments related to the adoption of a new pronouncement is a change in accounting policy 5. Application of GRAP 109 <i>Accounting by Principals and Agents</i> 	<p>November 2019</p>

New FAQs

FAQ	Context
<p>1. Disclosures on newly effective Standards of GRAP</p>	<p><u>#1 Quality of required disclosures</u> a) Existence b) Impact <u>#2 Extent of required disclosures</u> Appendix to Directive 5 May include Standards issued thereafter</p>
<p>2. Effect of land invasions on recognition of land</p>	<p>a) Legal ownership: illegal occupation does not supersede b) Other rights: entity may need legal advice</p>
<p>3. Whether all errors are accounted for using GRAP 3</p>	<p>Material – yes Immaterial – no, unless to achieve a particular outcome</p>

New FAQs

FAQ	Context
<p>4. Whether all adjustments when adopting a new pronouncement are changes in accounting policy</p>	<ul style="list-style-type: none"> • Apply the transitional provisions. • If no transitional provisions – apply GRAP 3 • Requirements previously incorrectly applied – prior period error
<p>5. Application of GRAP 109</p>	<ul style="list-style-type: none"> • Principal agent arrangement: <i>Binding arrangement where agent undertakes transactions with third parties on behalf of and for benefit of the principal</i> • Only if established consider if principal or agent

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