CIGFARO Free State Branch

May 2019

GRAP Reporting Framework 2018/2019 to 2019/2020

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.

- Two pronouncements effective 1 April 2018:
 - Improvements to the Standards of GRAP (2016)
 - Amendments GRAP 21 & GRAP 26
 Impairment of Assets

- Measuring cost of assets acquired in exchange for other assets
 - cost of asset exchanged is measured at fair value
 - unless neither fair value of asset received or given up is reliably measured → cost is then measured at carrying amount of asset given up
- Treatment of transaction costs assets acquired in non-exchange transaction
 - align with the principles in paragraph .12 GRAP 23

- Revenue based depreciation & amortisation methods
 - method based on revenue generated by an activity not appropriate → not reflective of consumption of future economic benefits or service potential
- Restatement of asset's carrying amount revaluation model
 - either adjust (a) accumulated depreciation at date of revaluation to equal difference between gross carrying amount and carrying amount of asset or (b) eliminate accumulated depreciation against gross carrying amount of asset

- Treatment of bearer plants
 - GRAP 17 applies to bearer plant <u>but not the produce</u> growing on the bearer plant (GRAP 27)
- Guidance on classification of military assets
 - inventory may include military assets → ammunition, missiles, rockets and bombs
 - some meets definition in GRAP 17

- Acquisition of investment property
 - clarify interrelationship between GRAP 105/106 and GRAP 16 when classifying investment property as owner-occupied
- Contingent consideration in transfer of functions
 - require contingent consideration classified as asset or liability to be measured at fair value at each reporting date
- Deletion of appendixes included in GRAP Implementation Guidance

Amendments GRAP 21 & 26 Impairment of Assets

- Guidance on how to classify / designate assets as cash or non-cash generating
- Added definition for commercial return: "positive cash flows expected to be significantly higher than cost of asset"
- First apply GRAP 21 (assets most likely non-cashgenerating)
- Prospective application

Standards of GRAP Effective 1 April 2019

- All entities other than trading entities
- GRAP 20 Related Party Disclosures
 - Disclosure of related party transactions and outstanding balances within an economic entity
- GRAP 32 Service Concession Arrangements: Grantor
 - Accounting of service concession asset and liability → financial liability model or grant of a right to the operator model

- IGRAP 17 Service Concession Arrangements Where Grantor Controls a Significant Residual Interest in an Asset
- GRAP 108 Statutory Receivables
 - Accounting for receivables arising from legislation, supporting regulations or similar means and requires settlement in cash or another financial asset
 - Recognition and measurement

- GRAP 109 Accounting by Principals and Agents
 - Outlines principals to assess whether
 - (a) entity is a party to a principal-agent arrangement
 - (b) entity is the principal or agent in arrangement
 - (c) revenue, expenses, assets or liabilities should be recognised → no new recognition or measurement principles

- IGRAP 18 Recognition and Derecognition of Land
 - When to recognise and derecognise land based on control of land
 - Two criteria:
 - a) legal title and/or
 - b)right to direct and restrict/deny access of others

- IGRAP 19 Liabilities to Pay Levies
 - Recognition of liability to pay levy within scope of GRAP 19 whose timing and amount are uncertain
 - Levy = non-exchange transaction resulting in an outflow of resources embodying FEB or SP that is imposed by government on entities in accordance with legislation or similar means

- Guideline on Accounting for Housing Arrangements
 - Applicable to entities that participate in national housing programme – level 1, 2, nonaccredited
 - Project manager → agent for department
 - Project developer → developer responsible for housing development (GRAP 11)
 - Accounting for land, infrastructure and other assets

Standards of GRAP Effective 1 April 2020

Municipalities, boards, commissions,
 companies, corporations, funds or
 entities under the ownership control of
 municipality

• GRAP 18 Segment Reporting

- All entities other than trading entities
- GRAP 110 Accounting for Living and Nonliving Resources
 - Accounting for living resources (living organisms)
 - Criterial to assess if living resource is controlled
 - Disclosure of non-living resources (land, minerals, oils and gas and other nonregenerative resources)

- **Interests in Other Entities**
- GRAP 34 Separate Financial Statements
- GRAP 35 Consolidated Financial Statements
- GRAP 36 Investments in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interests in Other Entities

- IGRAP 20 Accounting for Adjustments to Revenue
 - adjustments to revenue recognised ito legislation or similar means following completion of an internal review process or outcome of external appeal or objection
 - principles may be applied, by analogy adjustments to exchange or non-exchange revenue arising from contractual arrangements with similar fact patterns

- Amended IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue
 - Other factors that impact inflow of FEB or SP eg early settlement discounts, rebates, reductions, or as a result of adjustments to revenue (IGRAP 20) should be considered on initial recognition of revenue
 - Past experience and current facts and circumstances existing on initial recognition

Overview of ASB activities

Recent projects

- Guideline on Accounting for Landfill Sites
 - Guideline on *The Applicability of Materiality to Financial Statements*
 - Amendments to GRAP 1 Presentation of Financial Statements
 - Revised Standard of GRAP on Financial Instruments

Recent projects

- Transitional provisions for the Adoption of GRAPs by Community Education and Training Colleges (CET)
- Proposed Directive on The Use of GRAPs by Public Entities that Apply IFRS Standards
- Initial research on The Application of Standards of GRAP by Small Entities

Projects for next six months

- Improvements to Standards of GRAP (2019)
- Post-implementation Review GRAP 103
 Heritage Assets
- Transitional provisions revised GRAP 104
- Issues paper on Combined Financial Statements

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
- Handbook

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 reporting framework for 2019 onwards.
- 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

Submit your comments to info@asb.co.za

THANK YOU

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