

# New developments in financial reporting 5 June 2018



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 of session

- GRAP Reporting Framework
- Current activities





# GRAP Reporting Framework





# GRAP Reporting Framework 2017/2018

**No changes** from 2016/2017 GRAP  
Reporting Framework





# GRAP Reporting Framework 2018/2019

■ Two pronouncements:

- Improvements to the Standards of GRAP
- Amendments GRAP 21 & 26 *Impairment of Assets*



# GRAP Reporting Framework 2018/2019 (effective 1 April 2018)

## Pronouncement

Improvements to the Standards of GRAP

## Overview

- Measuring cost of assets acquired in exchange for other assets
- Treatment of transaction costs - assets acquired in non-exchange transaction
- Revenue based depreciation & amortisation methods
- Restatement of asset's carrying amount - revaluation model
- Treatment of bearer plants
- Guidance on classification of military assets
- Acquisition of investment property
- Contingent consideration in transfer of functions

# GRAP Reporting Framework 2018/2019 (effective 1 April 2018)

## Pronouncement

Amendments GRAP  
21 & 26 *Impairment  
of Assets*

## Overview

- Guidance on how to classify/designate assets as cash or non-cash generating
- Definition for commercial return – positive cash flows expected to be significantly higher than cost of asset
- First apply GRAP 21; assets most likely non-cash-generating
- Prospective application






# Newly effective Standards of GRAP

- GRAP 18 *Segment Reporting* – 1 April 2020.
- GRAP 20 *Related Party Transactions* – 1 April 2019.
- GRAP 32 *Service Concession Arrangements* – 1 April 2019.
- GRAP 108 *Statutory Receivables* – 1 April 2019.





# Newly effective Standards of GRAP

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- GRAP 109 *Accounting by Principals and Agents* – 1 April 2019.
  - GRAP 110 *Living and Non-living Resources* – 1 April 2020.





# GRAP Reporting Framework 2019/2020

Three pronouncements:

- IGRAP 18 *Recognition and Derecognition of Land*
- IGRAP 19 *Liabilities to Pay Levies*
- *Guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme*



# GRAP Reporting Framework 2019/2020 (effective 1 April 2019)

## Pronouncement

IGRAP 18  
*Recognition and  
Derecognition of  
Land*

## Overview

- When to recognise and derecognise land
- Based on **control**, not only legal title
- Two criteria:
  - a) legal title, and/or
  - b) right to direct & restrict / deny access of others to land
- Right should be for indefinite period → demonstrate entity has substantive rights
  - ✓ direct use of land's FEB / SP to provide services
  - ✓ exchange, dispose of / transfer land
  - ✓ use land in any other way to generate FEB or SP

# GRAP Reporting Framework 2019/2020 (effective 1 April 2019)

## Pronouncement

IGRAP 19 *Liabilities to Pay Levies*

## Overview

- Interpretation of GRAP 19 → recognition of liability to pay levy (uncertain timing or amount)
- Levy: non-exchange transaction that results in outflow of FEB / SP, imposed by government
- Excludes: employment related payments, fines, fees to acquire or use assets / goods & services
- Obligating event – activity that triggers payment of levy

# GRAP Reporting Framework 2019/2020 (effective 1 April 2019)

## Pronouncement

*Guideline on  
Accounting for  
Arrangements  
Undertaken in terms  
of the National  
Housing Programme*

## Overview

- Applicable to municipalities (level 1 & 2 accreditations and non-accredited)
- Identify roles: project manager / developer
- Project manager: agent for department for both beneficiaries & service providers
- Project developer: responsible for housing development (GRAP 11) and agent for department with beneficiaries
- Guidance on accounting for commission, accreditation, administration/ transaction fee: GRAP 9 (or GRAP 11)
- Guidance on accounting for land
  - ✓ lose control of existing land when arrangement entered into with department
  - ✓ no arrangement with department: recognise land acquired through USDG/ donation when acquired
  - ✓ Account for other infrastructure if controlled

# GRAP Reporting Framework 2019/2020 (effective 1 April 2019)

## Pronouncement

## Overview

### GRAP 18 *Segment Reporting*

- Report separately on identified segments.
- Segment defined.
- Present information on reportable segments or those aggregated.
- Some specific disclosures required.
- Some disclosures about geographical areas in which an entity operates.

### GRAP 20 *Related Party Disclosures*

- Defines related parties and disclosures

# GRAP Reporting Framework 2019/2020 (effective 1 April 2019)

## Pronouncement

## Overview

### GRAP 108 *Statutory Receivables*

- Defines statutory receivables
- Explains interaction with GRAP 9 & GRAP 23
- Subsequent measurement at cost (initial measurement + interest – impairment and repayments).
- Specific disclosures.

### GRAP 109 *Accounting by Principals and Agents*

- Defines principal-agent arrangements, as well as principals and agents
- Criteria to assess if agent
- Outlines what should be recognised (using other Standards of GRAP)



# Standards approved, not yet effective

Pronouncement	Objective
<i>GRAP 110 Living and Non-living Resources</i>	<ul style="list-style-type: none"><li>• Recognise and measure living resources (controlled &amp; reliable measure of cost / fair value)</li><li>• Except in scope of GRAP 27 / GRAP 12</li><li>• Disclose information on both living and non-living</li></ul>
<i>GRAP 34 to 38 Interests in Other Entities</i>	<ul style="list-style-type: none"><li>• No submission made yet to MoF on effective date</li><li>• Transitional provisions being finalised (May 2018)</li><li>• Replace GRAP 6 to GRAP 8</li><li>• Introduction of investment entity</li><li>• Change in definition of control, but impact limited</li><li>• Use equity method in separate financial statements</li><li>• New classification of joint arrangements</li><li>• Proportionate consolidation removed as method of accounting for a joint arrangement</li><li>• Additional disclosures</li></ul>




# Current activities





# Current activities

- Proposed Guideline on *Accounting for Landfill Sites*
  - Proposed IGRAP on *Accounting for Adjustments to Revenue*
  - Proposed revisions to GRAP 104 *Financial Instruments*
  - Developing guidance on *The Application of Materiality in the Preparation of Financial Statements*
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# **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 2018 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

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**THANK YOU**





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