

Disclaimer

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The questions and responses outlined in this document are based on queries commonly received by the Secretariat, the AGSA and the OAG and have been compiled to assist preparers of the financial statements. The questions and responses provide a summarised analysis of topical issues and are not comprehensive. Any examples provided are illustrative only, are not prescriptive, and should not be used by analogy to other circumstances. In all instances, readers are encouraged to refer to the relevant Standard of Generally Recognised Accounting Practice (GRAP), Interpretation or Directive.

The questions and responses focus on issues that are of interest to municipalities for the 2008/09 reporting period.

Section 1 – Application of Directives

1.1 *Which directive does a medium or low capacity municipality apply if it early adopted the (eight) Standards of GAMAP, (three) Standards of GRAP and Statements of GAAP (or a variation thereof) in the previous reporting period?*

A medium or low capacity municipality applies the transitional provisions in Directive 4, even though it applied the high capacity municipality reporting framework in previous reporting periods.

Section 2 – Transitional Provisions

2.1 *What is the effect of the three year transitional period granted in Directive 4 for the initial adoption of GRAP 12, 16, 17 and 102?*

Entities are granted a period of three years, from the initial adoption of the Standards of GRAP, to measure their assets in accordance with the principles of the relevant Standards. This means that, in the year that entities initially adopt the Standards of GRAP, they should have:

- identified and correctly classified their assets between inventories, investment properties, property, plant and equipment or intangible assets;
- recognised these assets using the principles in the Standards of GRAP; and
- measured these assets either using the principles in the Standards of GRAP or at provisional amounts using the relief allowed in Directive 4.

The three year period relates to both the initial and subsequent measurement of assets. Although entities are allowed a three year period to comply with the measurement of assets, they need to ensure that this implementation is sensible, particularly in relation to subsequent measurement. For example: In determining the depreciation for an asset, an entity should consider all the related elements of the depreciation calculation (depreciation method, useful life and residual value) when measuring the asset in the financial statements. Using this example, it would not be appropriate for an entity to recognise depreciation in the financial statements if it has not considered whether the asset has a residual value.

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2.2 *On initial adoption of GRAP 17, can a medium or low capacity municipality initially recognise assets at "global" amounts using the transitional provisions for the Standard in Directive 4?*

The transitional provision for GRAP 17 in Directive 4 allows entities three years to comply with the measurement requirements of GRAP 17; this includes initial and subsequent measurement. The componentisation of assets ensures that significant components of individual assets are identified and separately depreciated.

Componentisation is therefore an essential part of the measurement of an asset. Entities are permitted to recognise assets when they initially adopt the Standards of GRAP at "global" amounts, but must have separated these assets into significant components within the three year measurement period allowed in the transitional provisions. For example, an entity may recognise "water infrastructure" on initial adoption of the Standards of GRAP, but by the end of the three year must have analysed this asset into its component parts, including pipes, pumps etc.

Note: Entities must have appropriately classified their assets into inventory, property, plant and equipment, investment property or intangible assets. This example refers to "global" amounts of assets that have already been appropriately classified and deals with the componentisation of those assets.

2.3 *What does it mean for a medium or low capacity municipality to initially recognise assets, e.g. infrastructure assets, at a "provisional amount"?*

When a medium or low capacity municipality uses the transitional provisions in Directive 4 for GRAP 12, 16, 17, 101 or 102, it initially recognises assets using "provisional amounts". A provisional amount may, for example, be:

- The carrying amount of an asset that was recognised under a previous basis of accounting (which may include assets recognised at R1.00).
- Zero, if an entity is in the process of establishing an appropriate value for an asset.

Where the "provisional amount" for an asset is, it is appropriate for an entity to provide disclosures about the existence of the assets and the steps taken to establish values for the assets.

2.4 *Biological assets that form part of an agricultural activity, GRAP 101 – Directive 4*

2.4.1 *Do the transitional provisions for GRAP 101 in Directive 4 allow entities three years to recognise and measure biological assets related to an agricultural activity?*

Yes, the transitional provisions for GRAP 101 in Directive 4 allow entities three years to recognise and measure biological assets that form part of an agricultural activity. The transitional provision for GRAP 101 is different to GRAP 12, 16, 17 and 102 which allows three years for measurement only.

2.4.2 *Is an entity required to recognise and measure biological assets simultaneously (in the same year)?*

No. If an entity has identified biological assets, it can recognise them at provisional amounts. For example, an entity may have identified that it has 100 plant species that should be recognised using GRAP 101 in the first year of the three year transitional period. However, it has not determined an appropriate fair value for these plants. The entity could recognise the assets at a provisional amount of R0, and provide a narrative description in the notes to the financial statements of the nature and quantities of assets that have been identified, as well as the steps being taken by the entity to measure them appropriately.

2.5 *When does the three year transitional period for GRAP 12, 16, 17, 101 and 102 expire for medium and low capacity municipalities?*

The three year transitional period allowed in Directive 4 commences on the date that an entity initially adopts the Standards of GRAP, i.e. at the beginning of a reporting period. For example, if an entity adopts the Standards of GRAP from 1 July 2008, the transitional period ends on 30 June 2011.

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2.6 *When is an entity deemed to have adopted the Standards of GRAP if it takes advantage of the transitional provisions in Directive 4?*

If an entity takes advantage of the transitional provisions in Directive 4, it is deemed to have initially adopted the Standards of GRAP in the year that it first prepares its financial statements "...in accordance with the Standards of GRAP..." as set out in its accounting policies. The date of adoption is not influenced by any transitional provisions that a municipality may apply in Directive 4.

For example: Medium capacity municipalities are required to apply the Standards of GRAP from 1 July 2008. From this date, medium capacity municipalities are required to prepare their financial statements "in accordance with the Standards of GRAP". Directive 4 does however allow entities a three-year period to comply with certain aspects of the Standards of GRAP, e.g. relief is provided from the measurement requirements of GRAP 17 on *Property, Plant and Equipment*. Even though the municipality only fully complies with GRAP 17 at a later date, it is deemed to initially adopt the Standards of GRAP at 1 July 2008.

2.7 *Interaction between the transitional provisions in GAMAP 17 and GRAP 17 on Property, Plant and Equipment as set out in Directive 4*

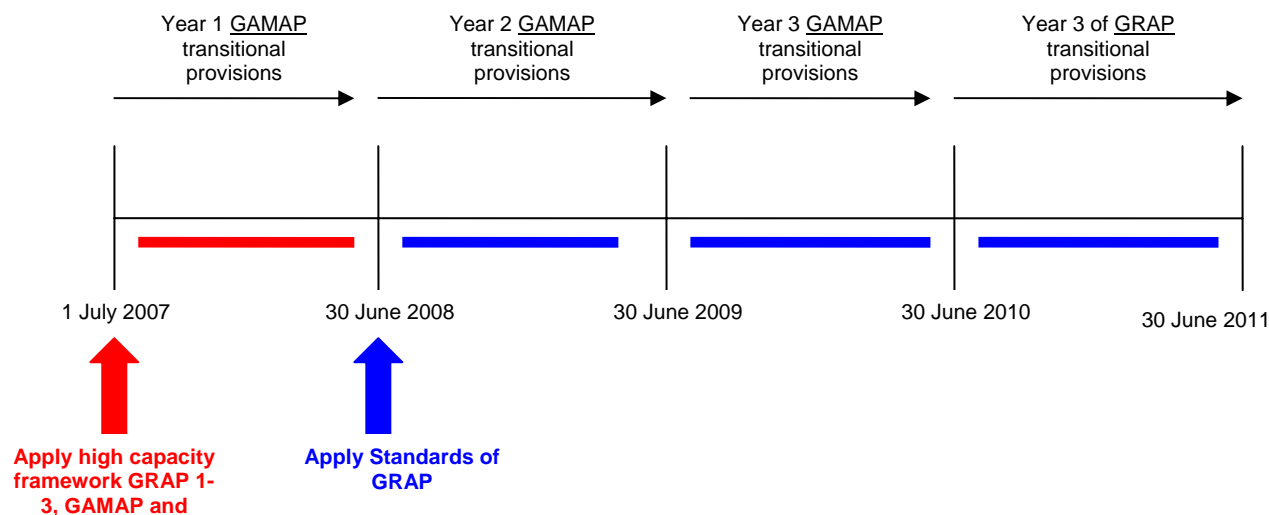
A medium or low capacity municipality may have applied the high capacity reporting framework in previous reporting periods. This may have resulted in it applying the transitional provisions in GAMAP 17 which provided relief from recognising assets that were not recognised under a previous basis of accounting.

Despite the fact that an entity may have taken advantage of the GAMAP 17 transitional provisions, when a medium or low capacity municipality adopts the Standards of GRAP, it may also take advantage of the transitional provisions for GRAP 17, as set out in Directive 4. This means that a medium or low capacity municipality has three years from the date of adoption of GRAP 17 to comply with the measurement requirements of the Standard.

Where there is additional time remaining on the GAMAP transitional provisions, a municipality may complete the remaining period of those transitional provisions (which provides relief from the recognition of certain assets) and then apply the remaining period of GRAP 17 transitional provisions (which provides relief from the measurement of certain assets). The GAMAP transitional provisions and GRAP transitional provisions would however run concurrently. This means that from the date of adoption of GRAP 17, an entity has three years to comply in full with all the requirements of the Standard. An illustrative example is shown below.

Example: A low capacity municipality early adopted the high capacity reporting framework on 1 July 2007 (i.e. it applied GRAP 1 to 3, Standards of GAMAP and Gazette 30013). It is required to adopt the Standards of GRAP from 1 July 2009, but elects to early adopt the Standards of GRAP from 1 July 2008. It previously took advantage of the three year transitional period in GAMAP 17, although it only applied these transitional provisions to infrastructure assets as these assets had not been recognised under its previous basis of accounting. (See diagram 1 below). The municipality intends to continue with the GAMAP 17 transitional provisions until they expire, and then apply the remaining period of the GRAP 17 transitional provisions.

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It is important to note the following variations on the above discussion:

- Instead of waiting for the GAMAP transitional provisions to expire, a municipality may apply the transitional provisions in GRAP 17 when it adopts the Standard. It should however be mindful of the fact that the transitional provisions in GAMAP 17 relate to the recognition of assets and GRAP 17 transitional provisions relates to the measurement of assets.
- Different transitional provisions (i.e. GAMAP or GRAP) may be applied to different classes of property, plant and equipment.

It is important to note that an entity should provide sufficient disclosure in the financial statements about:

- the transitional provisions it has applied, or intends to apply (if for example, it currently takes advantage of the GAMAP 17 transitional provisions and also intends to take advantage of the remaining period of the GRAP 17 transitional provisions in future);
- which classes of assets are affected;
- by what date it expects full compliance (which cannot be more than three years after the date of adoption of the Standards of GRAP); and
- what steps it is taking to fully comply with the Standard and report on any progress made from the prior year.

2.8 Do the transitional provisions in directive 4 apply if a municipality recognised and measured its property, plant and equipment in accordance with the requirements of GAMAP 17?

The transitional provisions in directive 4 are not mandatory. A municipality may elect to take advantage of the relief provided in directive 4 but only "If the initial accounting for property, plant and equipment is incomplete by the end of a reporting period in which the Standard becomes effective..." [Directive 4 paragraph .79].

Three scenarios exist:

1. The municipality early adopted GAMAP 17 in prior periods, but did not comply with the measurement requirements of GAMAP 17 at the time it adopted GRAP 17.
2. The municipality early adopted GAMAP 17 in prior periods, and did comply with the measurement requirements of GAMAP 17 at the time it adopted GRAP 17.

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3. The municipality early adopted GAMAP 17 in prior periods, and partially complied with the measurement requirements of GAMAP 17 at the time it adopted GRAP 17.

In scenario 1, because the municipality did not comply with the measurement requirements of GAMAP 17, it is likely that it cannot comply with the measurement requirements in GRAP 17 on initial adoption. Therefore a municipality may elect to take advantage of the three year transitional period in Directive 4. This effectively means that entities had three years under GAMAP 17 to recognise assets and three years under GRAP 17 to measure assets (assuming that the three-year GAMAP 17 transitional provision expires before GRAP 17 is adopted).

In scenario 2, an entity that has complied with GAMAP 17 in previous reporting periods, complies with most of the requirements of GRAP 17, as the recognition and measurement principles of GAMAP 17 and GRAP 17 are similar. Therefore an entity cannot apply blanket relief from measuring assets, based on the transitional provisions in Directive 4. A municipality can only apply the transitional provisions for those measurement requirements of GRAP 17 that are not required in GAMAP 17. For example, GAMAP 17 requires the assessment of residual values on a periodic basis, whereas GRAP 17 requires the assessment of residual values annually. If a municipality is unable to comply with this requirement when it adopts the Standards of GRAP, it may take advantage of the transitional provisions granted in Directive 4.

Similarly, in scenario 3, a municipality may only take advantage of the transitional provisions for those measurement requirements where GRAP 17 and GAMAP 17 differ and/or to the extent that the municipality did not comply with the measurement requirements of GAMAP 17.

2.9 Recognising assets using GAMAP 17 and GRAP 17

A How should assets have been recognised and measured by high capacity municipalities on the initial adoption of GAMAP 17 and GRAP 17?

The information outlined below is based on the most common scenarios. In all instances, entities are encouraged to consult the relevant Standards of GRAP and legislation.

Background

High capacity municipalities were required to adopt the 8 Standards of GAMAP and GRAP 1, 2 and 3 from 1 July 2005.

The transitional provisions in GAMAP 17 allowed entities a period of three years to recognise any assets that it previously had not recognised using another basis of accounting. Where entities took advantage of this transitional provision, they were not required to comply with the measurement and disclosure requirements of GAMAP 17 until these assets were recognised.

The transitional provisions in GAMAP 17.85 also prescribed that, where entities had previously not recognised assets and the historical cost information of such assets was not available at the initial adoption of GAMAP 17, entities could use fair value at initial recognition:

When applying this Standard for the first time, an entity may control assets that it has not previously recognised. When the recognition criteria as determined in paragraph 10 have been met, the asset needs to be recognised in the statement of financial position at fair value.

In 2006, the National Treasury issued Government Gazette 30013 which exempted entities from applying certain requirements of the Standards of GAMAP, GRAP and Statements of GAAP. Application of these exemptions was not mandatory. Gazette 30013 specifically exempted entities from the following requirements of GAMAP 17:

- Review of useful lives of assets. This exemption applied only to the reassessment of useful lives. Entities should have made an initial assessment of the useful lives of an asset in determining the depreciable amount of an asset.

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- Review of residual values of assets. This exemption applied only to the reassessment of residual values. Entities should have made an initial assessment of the residual values of an asset in determining the depreciable amount of an asset.
- Assessing whether assets are impaired.

The exemptions were available for high capacity municipalities for the 2006/07 and 2007/08 reporting periods.

1. Recognising and measuring assets on the adoption of GAMAP 17

The effect of the transitional provisions in GAMAP 17 and the exemptions in Gazette 30013 is that entities should have accounted for property, plant and equipment as follows:

- All items of property, plant and equipment should have been recognised by 30 June 2008, i.e. the asset register and financial statements should be complete and reflect all assets that should be accounted for by an entity.
- All items of property, plant and equipment should be initially and subsequently measured using GAMAP 17 by 30 June 2008, except to the extent that the exemptions granted in Gazette 30013 were adopted.

The specific recognition and measurement requirements are outlined below:

1.1 Initial recognition and initial measurement

- At 30 June 2008, entities should have recognised all classes of property, plant and equipment, and allocated items of property, plant and equipment into their component parts.

Assets acquired before 1 July 2005, not previously recognised

- Where entities acquired assets before 1 July 2005 and these were not recognised under a previous basis of accounting, entities were allowed a period of three years to comply with the recognition requirements of GAMAP 17. This meant that in the three year period, entities also did not need to comply with the measurement or disclosure requirements of GAMAP 17. However, at 30 June 2008, when the three year transitional provision under GAMAP 17 expired, entities should have recognised, measured and disclosed these assets in accordance with GAMAP 17 (except for any exemptions adopted in Gazette 30013).
- The opening balance of assets acquired before 1 July 2005 should have been determined by measuring the assets at historical cost (if cost information was available) or, using a deemed cost (if no cost information was available) which represents:
 - fair value or depreciated replacement cost at the date the asset was acquired, if the acquisition date is known; or
 - the fair value or depreciated replacement cost of the asset at the date of adoption of GAMAP (i.e. 1 July 2004 or 1 July 2005¹), if the asset's acquisition date is unknown.

¹ GAMAP 17 was not prescriptive about the date at which "fair value" should be determined for assets that were not previously recognised. "Fair value" could thus have been determined at the start of the year in which GAMAP 17 was adopted, i.e. 1 July 2005 for HCM; at the start of the first reporting period in which financial statements were prepared using GAMAP (which would be the comparative period's financial statements), i.e. at 1 July 2004; or at the date the asset was acquired, if this date is known or could have been estimated.

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- The recognition of previously unrecognised property, plant and equipment, represents a change in accounting policy. The initial recognition of property, plant and equipment that was not recognised under a previous basis of accounting results in an adjustment to the opening balance of the accumulated surplus or deficit for the earliest period presented.

Assets acquired after 1 July 2005

- The three year transitional provision in GAMAP 17 does not apply to assets acquired after 1 July 2005. Assets acquired after 1 July 2005 should have been recognised at acquisition date and measured in accordance with the requirements of GAMAP 17; i.e. measured initially at cost if they were purchased in an exchange transaction, or at fair value if they were acquired in a non-exchange transaction.

Disposals of assets after 1 July 2005

- Disposals of assets after 1 July 2005 should be accounted for in accordance with the requirements of GAMAP 17.

1.2 Subsequent measurement

- Classes of assets would subsequently be measured using either cost or the revaluation model (limited to land and buildings).
- Entities should have assessed the useful lives and residual values of assets in determining their "depreciable amount". Depreciation should have been recorded for the 2005/06, 2006/07 and 2007/08 reporting period for all assets. Entities were not required to *reassess* the residual values and useful lives of assets for the 2006/07 and 2007/08 reporting periods if they took advantage of the exemptions in Gazette 30013.
- Entities were not required to assess whether items of property, plant and equipment were impaired for the 2006/07 and 2007/08 reporting periods.

If a high capacity municipality did not comply in full with GAMAP 17 at 30 June 2008 (except where an entity took advantage of the exemptions in Gazette 30013), this would have resulted in *non-compliance* with GAMAP 17.

Illustrative example 1 illustrates how a high capacity municipality may have applied GAMAP 17.

Notes on recognising assets that were previously not recognised – GAMAP 17

The use of fair value or depreciated replacement cost as a substitute for historical cost on the initial adoption of the Standards of GAMAP is not deemed to be a revaluation.

If an entity undertakes an asset verification and valuation to reconstruct its asset register, the following should be noted:

The verification should distinguish between those assets that were acquired before 1 July 2005 and those acquired after 1 July 2005. This is important as those assets that were acquired before 1 July 2005 can be measured using cost or deemed cost (if historical information is not available). Those assets acquired after 1 July 2005 must be measured using cost (if acquired in an exchange transaction) or fair value (if acquired in a non-exchange transaction).

Where deemed cost is determined at the end of the transitional period, i.e. 30 June 2008, entities should adjust the fair value or depreciated replacement cost back to the date of adoption of the Standards of GAMAP, or back to the acquisition date of the asset if this date is known or can be determined reliably. Entities should also account for depreciation for the 05/06, 06/07 and 07/08 reporting periods for these assets. If entities did not make assumptions about useful lives and residual values at the 05/06 reporting dates, entities should use the assumptions at the 07/08 reporting period and apply these retrospectively.

Deemed cost can only be used for those assets where cost information is not available. It is inappropriate to use deemed cost if historical cost information is available. For example, entities should not use deemed cost for those assets acquired after 1 July 2005 as this would result in entities effectively adopting a policy of revaluing assets.

2. Recognising and measuring assets on the initial adoption of GRAP 17

High capacity municipalities are required to adopt GRAP 17 from 1 July 2008. As these entities previously applied GAMAP 17, most items of property, plant and equipment would have already been recognised and measured using the principles in GAMAP 17, except for any exemptions granted in Gazette 30013, for example: investment properties may have been included in property, plant and equipment under GAMAP 17, and entities may not have reassessed the useful lives and residual values of assets, nor assessed the impairment of assets.

Therefore, at 1 July 2008 a high capacity municipality adopts GRAP 17, classes of property, plant and equipment should be initially recognised, initially measured and subsequently measured in full, except if a municipality took advantage of the exemptions in Gazette 30013 on the reassessment of useful lives and residual values and the assessment of impairment.

On the initial adoption of GRAP 17 and the other asset-related Standards of GRAP on 1 July 2008, a number of scenarios may have existed:

Scenario 1: A municipality complied with the requirements of GAMAP 17 at 30 June 2008

In this scenario, a municipality would have been required to do the following in the 08/09 reporting period when it adopted GRAP 17:

- Determine the appropriate classifications of any assets that were included in property, plant and equipment under GAMAP 17 but should be accounted for using another Standard of GRAP e.g. land and buildings that are investment properties.
- Reassess the useful lives and residual values of property, plant and equipment recognised under GAMAP 17.
- Assess whether any items of property, plant and equipment are impaired.
- Undertaken any other actions that resulted from any exemptions granted in Gazette 30013 that were utilised in 2008/09.

Scenario 2: A municipality did not comply with GAMAP 17 as at 30 June 2008 (either for classes of assets or individual assets). In this instance, a municipality should have done the following in the 2008/09 reporting period:

- Identify classes of property, plant and equipment that are not recognised at 1 July 2008.
- Initially measure these assets using either historical cost (if cost information is available), or use a deemed cost (if cost information is not available) which represents:
 - fair value or depreciated replacement cost at the date the asset was acquired, if this date is known or could have been estimated reliably; or

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- the fair value or depreciated replacement cost of the asset, determined at the earliest date for which an entity first prepares financial statements that comply with Standards of GRAP, i.e. 1 July 2007², if the asset's acquisition date is unknown.
- As GRAP 17 is applied retrospectively, the opening balance of assets at 1 July 2008 should be separated between those assets that existed at 1 July 2007 and those that were acquired between 1 July 2007 and 30 June 2008. Also, any disposals that occurred between 1 July 2007 and 30 June 2008 are also accounted for separately.
- The initial recognition of assets that were not recognised under a previous basis of accounting represents an adjustment to the accumulated surpluses and deficit for the relevant periods.
- Assets that are acquired between 1 July 2008 and 30 June 2009 are accounted for using the principles in GRAP 17, i.e. at cost (if acquired in an exchange transaction) or fair value (if acquired in a non-exchange transaction). Any disposals of assets that occur between 1 July 2008 and 30 June 2009 are also accounted for separately.
- Assess the residual values and useful lives of assets at 30 June 2009. If an entity did not assess the useful lives and residual values of assets at 30 June 2008 because of exemptions granted in Gazette 30013, an entity uses those values to adjust the opening balances and comparative information.
- Assess whether any assets are impaired by using the principles in IPSAS 21 on *Impairment of Non Cash-Generating Assets* or IAS 36 *Impairment of Assets*

Notes on recognising assets that were previously not recognised – GRAP 17

The use of fair value or depreciated replacement cost as a substitute for historical cost on the initial adoption of the Standards of GRAP is not deemed to be a revaluation.

If an entity undertakes an asset verification and valuation to reconstruct its asset register, the following should be noted:

The verification should distinguish between those assets that were acquired before 1 July 2008 and those acquired after 1 July 2008. This is important as those assets that were acquired before 1 July 2008 can be measured using cost or deemed cost (if historical information is not available). Those assets acquired after 1 July 2008 must be measured using cost (if acquired in an exchange transaction) or fair value (if acquired in a non-exchange transaction).

If deemed cost is determined at the end of the year in which GRAP 17 is adopted, i.e. 30 June 2009, entities should adjust the fair value or depreciated replacement cost back to the date of adoption of the Standards of GRAP (1 July 2007), or back to the acquisition date of the asset if this date is known or can be determined reliably. Entities should also account for depreciation for the 07/08 and 08/09 reporting periods for these assets. If entities did not make assumptions about useful lives and residual values at the 07/08 reporting dates, entities should use the assumptions at the 08/09 reporting period and apply these retrospectively.

Deemed cost can only be used for those assets where cost information is not available. It is inappropriate to use deemed cost if historical cost information is available. For example, entities should

² As an entity is required to apply Standards of GRAP retrospectively, the first set of financial statements that are prepared that comply with Standards of GRAP is the comparative set of financial statements. For example, if a municipality is required to apply Standards of GRAP from 1 July 2008, the first set of financial statements prepared using Standards of GRAP is for the period 1 July 2007 to 30 June 2008.

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not use deemed cost for those assets acquired after 1 July 2008 as this would result in entities effectively adopting a policy of revaluing assets.

B. How should assets have been recognised and measured by medium and low capacity municipalities on the initial adoption of GRAP 17 (and GAMAP 17 if early adopted)?

There are a number of different scenarios that exist for the preparation of financial statements as some medium and low capacity municipalities may have early adopted Standards of GAMAP and GRAP, while other may have continued to apply the IMFO framework until the mandatory adoption date of the Standards of GRAP. The most common scenarios are outlined in the discussion that follows; entities are encouraged to consult the relevant Standards of GRAP and the relevant legislation.

Background

Medium and low capacity municipalities were required to apply Standards of GRAP from 1 July 2008 and 1 July 2009 respectively. Some medium and low capacity municipalities may have early adopted the "high capacity municipality" reporting framework in that they early adopted Standards of GAMAP and GRAP, and may have applied the exemptions granted to the high capacity municipalities in Gazette 30013. Some of these municipalities adopted the GAMAP/GRAP reporting framework in 2005/06, while others adopted the framework in 2006/07.

Other medium and low capacity municipalities may have remained on the IMFO framework and adopted the Standards of GRAP in accordance with Gazette 31021 which prescribed the effective dates of the Standards of GRAP for municipalities.

3. Scenario 1: A medium or low capacity municipality applied the IMFO framework and adopted the Standards of GRAP in accordance with Gazette 31021 and applied the transitional provisions in Directive 4

When medium and low capacity municipalities adopt GRAP 17, Directive 4 allows these municipalities a period of three years to comply with initial and subsequent measurement requirements of GRAP 17. This means that at the date that the municipality adopts GRAP 17, it must have identified and recognised all classes (and items) of property, plant and equipment. The effect of the transitional provisions is that medium and low capacity municipalities must comply with GRAP 17 in full at 30 June 2011 and 30 June 2012 respectively.

3.1 Initial recognition and measurement of assets

Asset acquired before 1 July 2008 (medium capacity municipality) and 1 July 2009 (low capacity municipality)

- Where municipalities acquired assets before 1 July 2008 (medium capacity) and 1 July 2009 (low capacity), they are allowed a period of three years to comply with the measurement requirements of GRAP 17. This means that in the three year period, entities should comply with the disclosure requirements of GRAP 17 to the extent possible. However, at 30 June 2011 (medium capacity) and 30 June 2012 (low capacity), when the three year transitional provision under GRAP 17 expires, municipalities should recognise, measure and disclose these assets in accordance with GRAP 17.
- As municipalities have three years to comply with the initial and subsequent measurement requirements of GRAP 17, it recognises its property, plant and equipment at provisional amounts in the financial statements during the transitional period. These provisional amounts

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may represent the carrying values under the previous basis of accounting (e.g. IMFO), or they may be recognised at R0 (this may mean that entities may only have information disclosed in the financial statements about the classes and quantities of assets during the transitional period).

- Assets acquired before 1 July 2008 (medium capacity) and 1 July 2009 (low capacity) are initially measured at historical cost (if cost information was available) or, using a deemed cost (if no cost information was available) which represents:
 - fair value or depreciated replacement cost at the date the asset was acquired, if the acquisition date is known; or
 - the fair value or depreciated replacement cost of the asset determined at the earliest date for which an entity first prepares financial statements that comply with Standards of GRAP, i.e. 1 July 2007 (medium capacity) or 1 July 2008 (low capacity)³, if the asset's acquisition date is unknown.
- The recognition and/or change in measurement of property, plant and equipment, represents a change in accounting policy. This result in an adjustment to the opening balance of the accumulated surplus or deficit for the earliest period presented.

Assets acquired after 1 July 2008 (medium capacity) and 1 July 2009 (low capacity)

- The three year transitional provision in GAMAP 17 does not apply to assets acquired after 1 July 2008 (medium capacity) and 1 July 2009 (low capacity). Assets acquired after 1 July 2008 (medium capacity) and 1 July 2009 (low capacity) should have been recognised at acquisition date and measured in accordance with the requirements of GRAP 17; i.e. measured initially at cost if they were purchased in an exchange transaction, or at fair value if they were acquired in a non-exchange transaction.

Disposals of assets after 1 July 2008 (medium capacity) and 1 July 2009 (low capacity)

Disposals of assets after 1 July 2008 (medium capacity) and 1 July 2009 (low capacity) should be accounted for in accordance with the requirements of GRAP 17.

3.2 Subsequent measurement of assets

- For assets acquired before and after 1 July 2008 (medium capacity) and 1 July 2009 (low capacity), municipalities have three years from the date of adopting the Standards of GRAP to comply with the subsequent measurement requirements of GRAP 17. This means that a municipality needs to have assessed the residual values and useful lives of assets, and considered whether any assets are impaired, by 30 June 2011 (medium capacity) and 30 June 2012 (low capacity).

³ As an entity is required to apply Standards of GRAP retrospectively, the first set of financial statements that are prepared that comply with Standards of GRAP is the comparative set of financial statements. For example, if a municipality is required to apply Standards of GRAP from 1 July 2008, the first set of financial statements prepared using Standards of GRAP is for the period 1 July 2007 to 30 June 2008. Likewise, if a municipality is required to apply Standards of GRAP from 1 July 2009, the first set of financial statements prepared using Standards of GRAP is for the period 1 July 2008 to 30 June 2009.

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3.3 Disclosure

- At 30 June 2011 (medium capacity) and 30 June 2012 (low capacity), medium and low capacity municipalities are required to comply in full with the disclosure requirements of GRAP 17.
- During the transitional period, municipalities should disclose in their accounting policies and notes to the financial statements:
 - The fact that they have taken advantage of the three year transitional period in Directive 4.
 - In their accounting policies indicate that they apply Standards of GRAP in recognising and measuring assets (and provide an indication of the policy adopted), but explain that amounts reflected for assets in the transitional period have been determined on a different basis (e.g. using the previous basis of accounting such as IMFO).
 - In their accounting and/or notes to the financial statements explain the classes of assets that are affected by the transitional provisions, the plans in place to comply with the Standards of GRAP by the required date and progress made to date.

4. Scenario 2: A medium or low capacity municipality applied the IMFO framework and adopted the Standards of GRAP in accordance with Gazette 31021 and did not apply the transitional provisions in Directive 4

The three-year transitional period offered in Directive 4 is not mandatory. Entities can choose to take advantage of this additional time allowed, or it can choose to comply with GRAP 17 in full in the year that it is adopted. The effect of not taking advantage of the transitional provisions is that entities have to recognise, measure and disclose all property, plant and equipment at 30 June 2009 (medium capacity) or 30 June 2010 (low capacity).

Where a municipality chooses to adopt GRAP 17 in the full at 1 July 2008 (medium capacity) or 1 July 2009 (low capacity), it is required to undertake the following actions in the year that it adopts GRAP 17:

4.1 Initial recognition and initial measurement

Assets acquired before 1 July 2008 (medium capacity) and 1 July 2009 (low capacity)

- Assets acquired before 1 July 2008 (medium capacity) and 1 July 2009 (low capacity) are initially measured at historical cost (if cost information was available) or, using a deemed cost (if no cost information was available) which represents:
 - fair value or depreciated replacement cost at the date the asset was acquired, if the acquisition date is known; or
 - the fair value or depreciated replacement cost of the asset determined at the earliest date for which an entity first prepares financial statements that comply with Standards of GRAP, i.e. 1 July 2007 (medium capacity) or 1 July 2008 (low capacity)⁴, if the asset's acquisition date is unknown.

⁴ As an entity is required to apply Standards of GRAP retrospectively, the first set of financial statements that are prepared that comply with Standards of GRAP is the comparative set of financial statements. For example, if a municipality is required to apply Standards of GRAP from 1 July 2008, the first set of financial statements prepared using Standards of GRAP is for the period 1 July 2007 to 30 June 2008. Likewise, if a municipality is required to apply Standards of GRAP from 1 July 2009, the first set of financial statements prepared using Standards of GRAP is for the period 1 July 2008 to 30 June 2009.

FAQ's - Initial adoption of the Standards of GRAP

- The recognition and/or change in measurement of property, plant and equipment, represents a change in accounting policy. This result in an adjustment to the opening balance of the accumulated surplus or deficit for the earliest period presented.

Assets acquired after 1 July 2008 (medium capacity) and 1 July 2009 (low capacity)

- Assets acquired after 1 July 2008 (medium capacity) and 1 July 2009 (low capacity) are recognised at acquisition date and measured in accordance with the requirements of GRAP 17; i.e. measured initially at cost if they were purchased in an exchange transaction, or at fair value if they were acquired in a non-exchange transaction.

Disposals of assets after 1 July 2008 (medium capacity) and 1 July 2009 (low capacity)

- Disposals of assets after 1 July 2008 (medium capacity) and 1 July 2009 (low capacity) should be accounted for in accordance with the requirements of GRAP 17.

4.2 Subsequent measurement of assets

For assets acquired before and after 1 July 2008 (medium capacity) and 1 July 2009 (low capacity), municipalities have to comply with the subsequent measurement requirements of GRAP 17 at the end of the reporting period in which they adopt GRAP 17 where they do not take advantage of the transitional provisions in Directive 4. This means that a municipality needs to have assessed the residual values and useful lives of assets, and considered whether any assets are impaired, by 30 June 2009 (medium capacity) and 30 June 2010 (low capacity).

5. Scenario 3: A medium or low capacity municipality early adopted GAMAP 17 and applied the transitional provisions in Directive 4

Where medium and low capacity municipalities early adopted GAMAP 17, they may have taken advantage of the three year transitional provisions in GAMAP 17 that allows municipalities three years to recognise any assets that were not recognised under its previous basis of accounting. When these municipalities adopt GRAP 17, they are allowed, in certain instances, a further three years to comply with the measurement requirements of GRAP 17.

The use of the transitional provisions in GRAP 17 is dependent on whether the municipality:

- a. complied with GAMAP 17 in full at the end of the transitional period allowed under that Standard; or
- b. partially complied with GAMAP 17 at the end of the transitional period allowed under that standard.

The use of the transitional provisions in GRAP under these scenarios is dealt with in 5.2 below.

There may be an overlap between the transitional provisions in GAMAP 17 and the transitional provisions in the GRAP 17. FAQ 2.7 provides guidance on this issue.

In recognising and measuring assets using GAMAP 17 and GRAP 17, municipalities should have applied the process outlined below.

5.1 Recognising and measuring assets on the adoption of GAMAP 17

Where a medium or low capacity municipality early adopted GAMAP 17, it follows a similar process to that set out in paragraph 2.9 Section A, paragraphs 1, 1.1. and 1.2 (the relevant dates would however need to be adjusted to reflect the date that the municipality adopted GAMAP 17).

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5.2 Recognising and measuring assets on the adoption of GRAP 17

Directive 4 allows medium and low capacity municipalities three years from the date of adopting GRAP 17 to comply with the measurement requirements of GRAP 17. Where medium and low capacity municipalities early adopted GAMAP 17, they can take advantage of the additional three years granted in Directive 4 if:

- (i) they did not comply, either partially or in full with GAMAP 17 at the end of the transitional period in that Standard; or
- (ii) they cannot comply with aspects of GRAP 17, for example the annual review of residual values and useful lives of property, plant and equipment.

FAQ 2.8 provides guidance on when a municipality that applied GAMAP 17 can take advantage of the transitional provisions in GRAP 17.

As the circumstances may vary from municipality to municipality, they cannot all be addressed in the frequently asked questions; municipalities should therefore consult the relevant Standards of GRAP and Directives.

Where medium and low capacity municipalities early adopted GAMAP 17 and did not comply with the requirements of GAMAP 17, in full, they may take advantage of the transitional provisions in GRAP 17. These medium and low capacity municipalities should apply similar actions to those outlined in paragraph 2.9 section B paragraphs 3, 3.1-3.3.

Section 3 – Accounting issues

3.1 Assets

3.1.1 *Should an entity apply impairment testing retrospectively when it adopts the Standards of GRAP if it was exempted from these requirements in Gazette 30013?*

No, if an entity did not apply IAS 36 last year or because it applied the exemptions in Gazette 30013, an entity only assesses impairment for the current financial year.

3.1.2 *Should an entity assess useful lives and residual values of assets retrospectively when it adopts the Standards of GRAP if it was exempted from these requirements in Gazette 30013?*

If an entity did not perform an assessment of the residual values or useful lives of an asset because of the exemptions allowed in Gazette 30013, an entity should:

- Assess the residual values and useful lives of the assets in this financial year; and
- Adjust the opening balances and comparative information using those values.

3.1.3 *When should an entity start depreciating major spare parts and stand-by equipment?*

An entity starts depreciating major spare parts and stand-by equipment when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operation in the manner intended by management. This implies that depreciation may commence while the item is held in storage. Under a usage based depreciation, the depreciation of items held in storage will be zero.

If major installation of the spare part is however required, it may be argued that the spare parts are not immediately available for use in the manner intended by management. In these instances, depreciation may only commence once the installation is complete.

Management should exercise judgement in applying the requirements in GRAP 17 regarding the depreciation of major spare parts and standby equipment.

3.1.4 *Must an asset always have a residual value?*

FAQ's - Initial adoption of the Standards of GRAP

No, an asset does not always have a residual value. There are also different requirements for residual values of tangible assets and intangible assets.

For tangible assets, such as property, plant and equipment or investment property, an asset only has a residual value when the useful life of an asset (the period the asset is used or available for use by the entity) is shorter than the economic life of an asset (the period(s) the asset is used or available for use by all users or owners of the asset). As entities in the public sector often plan to use an asset for its entire economic life, the residual value may be negligible or even zero.

For intangible assets with a finite useful life, the residual value is always deemed to be zero unless:

- (a) a third party has committed to purchase the asset at the end of its useful life; or
- (b) there is an active market for the asset and:
 - (i) the residual value can be determined by reference to that market; and
 - (ii) it is probable that such a market will exist at the end of the asset's useful life.

FAQ's - Initial adoption of the Standards of GRAP

3.1.5 *Treatment of fully depreciated assets still in use (other than on the initial adoption of the Standards of GRAP)*

It may happen that an entity has fully depreciated assets that are still being used by the entity. A question that is commonly asked is whether this results in a prior period error or not.

GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors* defines estimates and errors as follows:

A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were authorised for issue; and
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

If an entity made an appropriate estimate of the useful lives, residual values and depreciation of an asset based on the information available at the previous reporting dates, it continues to measure the assets at R0, and discloses the fact that it has fully depreciated assets still in use. An example of such an instance may be as follows: An entity has a policy of replacing assets at specified intervals. At the end of a reporting period, an entity fully depreciates certain assets knowing that in the following year, it is scheduled to replace these assets in accordance with its policy. In the subsequent period however, management changes its policy of replacing assets, resulting in it holding fully depreciated assets that are still being used by the entity.

Where an entity has fully depreciated assets because it did not appropriately apply the principles of GRAP 17 on *Property, Plant and Equipment*, e.g. because it did not review the useful lives or residual values of assets at previous reporting dates, or because it did not use information that it had available at previous reporting dates appropriately, this results in an error in accordance with GRAP 3.

Note: This response assumes that the assets in question are used for their full economic life by the entity and thus have no residual value.

3.2 *Accounting for cell phone contracts*

Cell phone contracts are negotiated for a period of time with mobile phone operators, and often include the provision of a handset as well as a specified amount of talk-time or SMSs. An entity must assess each contract to determine the appropriate accounting treatment. In particular, an entity assesses whether:

- the arrangement involves the use of an asset over a period of time, considering the principles in GRAP 13 on *Leases*, or
- the contract involves the purchase of an asset and related services for an agreed period of time.

The accounting may vary between municipalities.

FAQ's - Initial adoption of the Standards of GRAP

3.3 *How should municipalities account for conventional or pre-paid electricity meters?*

An entity considers whether meters meet the definition of inventory (an asset held for sale, distribution or consumption in the provision of services) or property, plant and equipment (an asset that is used in the production or supply of goods or services and is expected to be used during more than one reporting period). The accounting may vary between municipalities.

3.4 *Is the cost of preparing a valuation roll an intangible asset?*

Municipalities are required, in terms of the Property Rates Act, to prepare valuation rolls. These valuation rolls enable municipalities to legally levy property rates.

Legislation and not the valuation roll, provides municipalities with the right to levy taxes. The valuation roll is prepared to execute the rights conferred on municipalities in legislation.

Consequently, the valuation roll does not generate any economic benefit or service potential for the municipality and is similar to an internally generated customer list. Customer lists may not be capitalised under GRAP 102.

The cost of preparing a valuation should be accounted for as an expense using the principles in the *Framework for the Preparation and Presentation of Financial Statements*.

Where an entity has applied a different policy, it applies the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*.

3.5 *How does an entity account for loans granted or received on below market terms?*

An entity that grants or receives loans on below market terms considers the principles in IAS 39 in accounting for the loan. IAS 39 requires an entity to initially measure a financial asset or financial liability at fair value. This means that an entity would either determine the fair value of the loan using a price in an active market or a valuation technique.

Where an entity determines fair value using a valuation technique, fair value is the present value of the contractual cash flows of the asset or liability, discounted using a market related rate for a similar debt instrument. A similar debt instrument is an instrument with the same maturity, terms, currency and credit risk profile.

3.6 *Are all biological assets accounted for using GRAP 101 on Agriculture?*

No, an entity only uses GRAP 101 to account for biological assets if they are part of an agricultural activity (see paragraphs .09 - .11 of GRAP 101).

For biological assets that do not form part of an agricultural activity, an entity assesses whether they meet the definition of property, plant and equipment in GRAP 17 or the definition of inventory in GRAP 12.

If a biological asset does not meet either of these definitions, an entity assesses whether they meet any of the elements in the *Framework for the Preparation and Presentation of Financial Statements*.

3.7 *Does a municipality use IAS 20 on Government Grants to account for grants, transfers and other types of non-exchange revenue?*

No, municipalities use paragraphs .29-.35, .39-.54, .61(b)(iii), (vi), (viii), (ix) and .62(a) and (b) of GAMAP 9 on *Revenue* (see paragraph .44 of GRAP 9) to account for government grants, transfers, equitable share allocations, property rates, fines and donations received by a municipality.

To the extent that a transaction or event is not adequately addressed in GAMAP 9, an entity uses GRAP 23 on *Revenue from Non-exchange Transactions (Taxes and Transfers)* to develop an appropriate accounting policy.

IAS 20 may not be applied.

FAQ's - Initial adoption of the Standards of GRAP

3.8 Do municipalities have to apply GRAP 18 on Segment Reporting or IFRS 8 on operating Segments?

For the 2008/09 and the 2009/10 reporting periods, entities are not required to apply either of these standards.

3.9 Do municipalities have to apply GRAP 24 on Presentation of Budget Information in financial Statements?

Municipalities do not need to apply GRAP 24 for the 2008/09 reporting period.

Municipalities may however be required to prepare a comparison between budget and actual expenditure in an annexure to the financial statements, in accordance with requirements prescribed by the National Treasury.

3.10 How should an entity account for servitudes?

Servitudes may be acquired in a number of ways including through expropriation, township establishment conditions, agreement between parties, court order, statute or other means.

In the public sector, servitudes are usually acquired in connection with infrastructure such as roads, water reticulation systems, power lines, substations etc.

Servitudes are rights granted by a property owner to another person or entity to use the land for certain purposes, e.g. to construct assets on or over a specific property or the right to access to a property. As servitudes are rights attached to property, an entity should consider whether the definition and recognition criteria in GRAP 102 on *Intangible Assets* are met.

An intangible asset is an identifiable non-monetary asset without physical substance.

An "identifiable" intangible asset can be explained as follows: "An asset meets the identifiable criterion in the definition of an intangible asset when it:

- (a) is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- (b) arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations."

Creation of servitudes through the exercise of legislation

In terms of legislation, municipalities are granted certain rights regarding the creation of servitudes. For example, in proclaiming townships, a municipality may declare that servitudes are to be registered over certain parts of the land falling within the boundaries of the proclaimed township so that it is able to install infrastructure to provide basic services.

A key feature of servitudes created using rights granted in legislation, is that no compensation is paid to the landowner for the acquisition of these rights. Costs may however be incurred to register the servitude with the Deeds Office.

Servitudes granted under these conditions do not meet the "identifiably" criteria above for the following reasons:

- They cannot be sold, transferred, rented or exchanged freely and are not separable from the entity.
- They arise from rights granted to the entity in statute and are specifically excluded from GRAP 102 as they are "internally generated rights".

Consequently, an entity would not treat these rights as intangible assets. Costs incurred to register these servitudes (if any) are expensed.

Creation of servitudes through acquisition (including by way of expropriation or agreement)

FAQ's - Initial adoption of the Standards of GRAP

An entity may need to acquire the rights associated with a specific piece of land, e.g. to span power cables related to an electricity distribution network. When an entity acquires rights associated with land and registers a servitude, the landowner is usually compensated.

Servitudes granted under these conditions are distinguished from those that are created through the exercise of legislation. These servitudes meet the definition of an "identifiable" intangible asset because they arise from contractual or other legal rights that are acquired through a specific arrangement, rather than through rights conferred on an entity in statute.

In these instances, an entity would recognise the servitude as an intangible asset at cost.

The cost of these servitudes on initial recognition is usually the transaction price, i.e. the compensation paid to the landowner and any other costs that can be capitalised to the cost of the asset in terms of GRAP 102.

Alternatively, an entity may argue that even though a servitude may meet the definition of an intangible asset, it is essential to the operation of a tangible asset. For example, a municipality would not be able to construct or operate infrastructure on land that it does not own without acquiring certain rights from the landowner. In these instances, it may be appropriate to include the cost of the servitude in the cost of the tangible asset rather than recognising a separate intangible asset.

3.11 *How does a municipality account for arrangements for the construction of RDP houses?*

Municipalities are frequently involved in the construction of houses as part of the reconstruction and development programme. A municipality determines the appropriate accounting treatment by examining the specific contracts concluded with the relevant parties and considering any applicable legislation.

A municipality would specifically consider whether:

- It acts as a contractor and the construction of the RDP houses meets the definition of a construction contract in terms of GRAP 11 on *Construction Contracts*. In this scenario, the municipality must have been appointed as the contractor, i.e. it must have been appointed to provide services related to the construction of an asset (in this case, the RDP houses).
- It is selling or distributing inventory, either directly to beneficiaries in a housing programme or to another public sector entity. In these instances, a municipality would also consider whether any revenue generated from these arrangements is exchange or non-exchange in nature.

3.12 *How does a municipality account for rainwater?*

One of the recognition criteria for an asset is that "...it is a resource controlled by an entity". Control is demonstrated by an entity's ability to access and regulate the benefits of an asset. It may be difficult to argue that naturally occurring resources are always under all circumstances under the control of a municipality.

A municipality would therefore only recognise inventory once it can demonstrate that it controls the resource, for example, once the water enters the purification process, and that the recognition criteria in GRAP 12 have been met. Once the entity can demonstrate that it controls the water, it is recognised and initially measured as follows:

- As a gain, using a replacement cost model; plus
- Costs of conversion and other costs incurred to bring the inventory to its current location and condition.

The water is initially recognised as a gain and not as non-exchange revenue because no transaction has occurred. An entity has however obtained control of an asset which gives rise to a gain.

3.13 *When should revenue be recognised for the sale of pre-paid electricity?*

FAQ's - Initial adoption of the Standards of GRAP

The sale of electricity constitutes a sale of goods. GRAP 9.29 states that revenue from the sale of goods should be recognised when:

- (a) the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In the case of prepaid electricity, the significant risks and rewards of ownership only transfer to the consumer at the time of consumption of the electricity. Consequently, the revenue received from prepaid electricity sales should be deferred and recognised as revenue on the consumption basis, commencing on the date of purchase. The consumption of pre-paid electricity is determined by using actual consumption information (if available) or, consumption is measured using a trend analysis and other historical data about electricity usage, including how often an electricity card is purchased or additional units of electricity loaded onto a pre-paid card.

3.14 *Is VAT receivable or payable an exchange or a non-exchange receivable or payable?*

GRAP 1.79(g),(h),(j) and (k), requires an entity to separately disclose receivables and payables from exchange and non-exchange transactions on the statement of financial position.

VAT is an indirect tax based on consumption of goods and services in the economy. Revenue is raised for the government by requiring certain traders or vendors to register and to charge VAT on taxable supplies of goods or services. The essential characteristics of VAT are:

- it is charged at each stage of the production and distribution process;
- the taxable person (vendor) may deduct the tax paid during the preceding stages; and the burden of the tax is on the final consumer.

The non-exchange transaction is the transaction concluded between the person or entity imposing the tax (national government) and the consumer of goods and services in the South African economy. As a municipality sells final goods and services to consumers, e.g. electricity, it is responsible to collect taxes from its consumers. In collecting and remitting VAT to the national government, the municipality acts as an agent. Consequently, VAT receivable or payable is deemed to be an exchange rather than a non-exchange transaction.

FAQ's - Initial adoption of the Standards of GRAP

Section 4 – Early adoption of the Standards of GRAP

4.1 *Are municipalities or municipal entities allowed to early adopt Standards of GRAP for which the Minister of Finance has determined an effective date?*

Municipalities or municipal entities are not prohibited from early adopting the Standards of GRAP for which the Minister of Finance has determined an effective date. Entities wanting to early adopt the Standards of GRAP must however submit an application to the Office of the Accountant-General at National Treasury, via the relevant Provincial Treasury, in this regard.

Where entities early adopt all the effective Standards of GRAP, they are required to apply Directive 5 (which means that certain IPSASs and IFRSs will also be applied).

Entities may not early adopt Standards of GRAP if the Minister of Finance has not determined an effective date for that Standard.