



**TRANSITIONAL PROVISIONS FOR THE INITIAL
ADOPTION OF THE STANDARD OF GRAP ON
ACCOUNTING BY PRINCIPALS AND AGENTS**

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INTRODUCTION

Standards of Generally Recognised Accounting Practice

The Accounting Standards Board (the Board) is required in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of Generally Recognised Accounting Practice (GRAP).

The Board must determine GRAP for:

- (a) departments (including national and provincial and government components);
- (b) public entities;
- (c) trading entities (as defined in the PFMA);
- (d) constitutional institutions;
- (e) municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and
- (f) Parliament and the provincial legislatures.

The above are collectively referred to as “entities”.

The Board has approved the application of Statements of Generally Accepted Accounting Practice (GAAP), as codified by the Accounting Practices Board and issued by the South African Institute of Chartered Accountants as at 1 April 2012, to be GRAP for:

- (a) government business enterprises (as defined in the PFMA);
- (b) any other entity, other than a municipality, whose ordinary shares, potential ordinary shares or debt are publicly tradable on the capital markets; and
- (c) entities under the ownership control of any of these entities.

The Board has approved the application of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board to be GRAP for these entities where they are applying IFRSs.

Section 89(1)(b) of the PFMA, requires the Board to prepare and publish directives and guidelines concerning the Standards of GRAP as set in paragraph 89(1)(a) of the PFMA. The *Preface to the Standards of GRAP* determines that directives will be used to set transitional provisions and transitional arrangements for the entities required to comply with Standards of GRAP. Directives issued by the Board in terms of section 89(1)(b) of the PFMA therefore have the same authority as the Standards of GRAP.

Directives should be read in conjunction with the relevant Standard(s) of GRAP, as well as the *Preface to the Directives issued by the Accounting Standards Board*.



AMENDMENTS TO DIRECTIVES

Transitional provisions for GRAP 109 *Accounting by Principals and Agents* to be included in Directives 2 to 4 and 8

The transitional provisions for the initial adoption of the Standard of GRAP on *Accounting by Principals and Agents* are to be included in the following Directives, after the transitional provisions for GRAP 108:

- Directive 2 *Transitional Provisions for Public Entities, Trading Entities, Municipal Entities, Public Further Education and Training Colleges, and Constitutional Institutions;*
- Directive 3 *Transitional Provisions for High Capacity Municipalities;*
- Directive 4 *Transitional Provisions for Medium and Low Capacity Municipalities and Trading Entities;* and
- Directive 8 *Transitional Provisions for Parliament and Provincial Legislatures.*

GRAP 109 *Accounting by Principals and Agents*

Transitional provisions

General

- .01** *Changes resulting from the application of the Standard of GRAP on Accounting by Principals and Agents shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.*
- .02** *An entity is however not required to retrospectively restate transactions arising from principal-agent arrangements that were completed on or before the effective date of the Standard.*
- .032** When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively. An entity need not apply the requirements of the Standard of GRAP on *Accounting by Principals and Agents* retrospectively to transactions arising from principal-agent arrangements that were completed on or before the effective date of the Standard. A completed principal-agent arrangement is an arrangement in which all transactions that are the subject of



the arrangement have been undertaken.

Transitional provisions for GRAP 109 *Accounting by Principals and Agents* to be included in Directive 6

The following consequential amendments are made to Directive 6 *Transitional Provisions for Revenue Collected by SARS* as a result of the issue of the Standard of GRAP on *Accounting by Principals and Agents*. Text that has been added is underlined, while text that has been deleted is indicated as struck through.

Directive 6 *Transitional Provisions for Revenue Collected by SARS*

Transitional provisions

General

.07

.08 As a result of the relief provided in paragraph .07, SARS is not required to comply with the recognition, initial and subsequent measurement, and related presentation and disclosure requirements of the following Standards of GRAP until the transitional provisions in paragraph .07 expire, or revenue is recognised in accordance with the relevant Standards of GRAP (whichever is earlier):

- (a) *Revenue from Exchange Transactions*.
- (b) *Inventories*, insofar as the Standard applies to the recognition and measurement of goods forfeited, seized or otherwise held by SARS, where the eventual proceeds from disposing of these goods will result in revenue for the National Revenue Fund or another entity.
- (c) *Leases*, insofar as the Standard applies to recognition and initial measurement of revenue and the related receivables, where this will result in revenue for the National Revenue Fund or another entity.
- (d) *Revenue from Non-exchange Transactions (Taxes and Transfers)*.
- (e) *Provisions, Contingent Liabilities and Contingent Assets*, insofar as the Standard applies to the recognition and/or measurement of refunds or similar liabilities arising from exchange or non-exchange revenue transactions.
- (f) *Financial Instruments*, insofar as the Standard applies to the recognition and/or measurement of receivables related to revenue arising from contractual



arrangements that otherwise meet the definition of financial instruments.

- (g) *Statutory Receivables*, insofar as the Standard applies to the recognition and/or measurement of receivables that arise from legislation, regulations or similar means and otherwise meet the definition of a statutory receivable.
- (h) *Accounting by Principals and Agents*, insofar as the Standard applies to the assessment of the recognition of receivables and payables related to revenue transactions undertaken as an agent. The Standard should however be used to determine if SARS should recognise transactions as an agent or a principal.

...

Relief from applying specific Standards of GRAP

- .13 Paragraph .08 outlines the Standards of GRAP that SARS is not required to comply with during the six year transitional period. The relief provided in paragraph .08 means that SARS is not required to comply with the Standards of GRAP on:
- (a) *Revenue from Exchange Transactions, Revenue from Non-exchange Transactions (Taxes and Transfers), and Leases* in the recognition and measurement of revenue, and the recognition and initial measurement of any directly associated receivables;
 - (b) *Accounting by Principals and Agents*, in the initial recognition and measurement of receivables and payables for transactions undertaken as an agent;
 - ~~(b)~~(c) *Financial Instruments and Statutory Receivables*, in the initial and subsequent measurement of receivables arising from exchange and non-exchange revenue transactions, including the recognition and measurement of interest, penalties or other charges levied on outstanding receivables;
 - ~~(e)~~(d) *Inventories*, in the recognition and, initial and subsequent measurement, of inventories arising from exchange or non-exchange revenue transactions; and
 - ~~(d)~~(e) *Provisions, Contingent Liabilities and Contingent Assets*, in the initial recognition and measurement (both initial and subsequent) of refunds or similar liabilities directly associated with exchange and non-exchange revenue transactions.