

FEEDBACK STATEMENT – ED 152 *PROPOSED IMPROVEMENTS TO THE STANDARDS OF GRAP (2016)*

<p>This Feedback Statement outlines the final improvements to the Standards of GRAP (2016)</p>	Overview	This Feedback Statement outlines the final improvements to the Standards of GRAP (2016).
	Consultation process	The ASB undertook a public consultation, which included users of the financial statements, preparers, auditors, and other interested parties.
	Supporting material	<p>The Board's analysis of both the written and verbal comments received, along with its responses thereto.</p> <p>A document outlining the final <i>Improvements to the Standards of GRAP (2016)</i> and any consequential amendments to existing Standards of GRAP. Once the amendments are effective, they will be included in the relevant Standard of GRAP.</p> <p>These materials can be accessed on the ASB's website.</p>
	Next steps	The ASB will make a submission to the Accountant-General to approve the effective date of the amendments. The effective date of the amendments is 1 April 2018.



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What we heard	
General support expressed for the proposed amendments	Stakeholders generally supported the proposed <i>Improvements to the Standards of GRAP (2016)</i> .
Questions raised about the transitional provisions for the guidance provided on revenue based depreciation methods	<p>ED 152 proposed amendments to GRAP 17 on <i>Property, Plant and Equipment</i> to indicate that revenue based depreciation methods are inappropriate as such methods do not represent the consumption of assets. The transitional provisions proposed prospective application of the amendment.</p> <p>Respondents questioned whether this amendment should be applied retrospectively. They noted that, because the amendment to GRAP 17 indicates that such measures are inappropriate, this could indicate that an error was made in the past and warrant retrospective application.</p> <p>After deliberation, the Board agreed to retain the transitional provisions as prospective for the following reasons:</p> <ul style="list-style-type: none"> • Both the IASB and IPSASB required prospective application as a result of divergence in practice, particularly in service concession arrangements. • A change in depreciation method is a change in accounting estimate which requires prospective application in accordance with GRAP 3 on <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.

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Final Improvements to the Standards of GRAP

The Board approved the amendments to the existing Standards of GRAP as outlined in ED 152 with minimal amendment

The Board approved the following final amendments to the Standards of GRAP:

- (a) Measuring the cost of assets acquired in exchange for other assets: Assets acquired in such transactions are measured at the fair value of the asset acquired. If fair value is not available, the assets acquired are measured at the carrying value of the assets given up.
- (b) Treatment of transaction costs for assets acquired in non-exchange transactions: Transaction costs are treated in the same way as assets acquired in exchange transactions. The principles in the relevant Standards of GRAP on inventories, investment property, property, plant and equipment, intangible assets and heritage assets are applied.
- (c) Use of revenue based depreciation and amortisation methods: Revenue based depreciation methods are inappropriate for property, plant and equipment as they do not reflect the consumption of the asset. It is assumed that revenue based amortisation methods for intangible assets are inappropriate, unless an entity can demonstrate that there is a correlation between the consumption of the intangible asset and revenue, or the intangible asset is expressed as a measure of revenue.
- (d) Restatement of the carrying amount of assets when applying the revaluation model: When an entity revalues its assets, it is required to restate the carrying amount of its assets using either the “gross” or the “net” approach. Amendments were made to the wording to clarify the principles.
- (e) Treatment of bearer plants: Bearer plants, which were previously in the scope of GRAP 27 *Agriculture*, are now in the scope of GRAP 17 *Property, Plant and Equipment*. This change in scope means that bearer plants can be measured using the cost model, whereas in GRAP 27, measurement at fair value less costs to sell is mandatory.
- (f) Change in terminology related to military and similar assets: Internationally, there is a move to align financial reporting and statistical bases of reporting as far as possible. This is because the information used to prepare the financial statements is most often the primary source used when preparing statistical reports. To minimise the differences between the internationally recognised frameworks for financial reporting (International Public Sector

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	<p>Accounting Standards or IPSASs) and the statistical basis of reporting (Government Finance Statistics Manual or GFS), the term “ammunition” has been replaced with “military inventories”, and “specialised military equipment” with “weapons systems”.</p> <p>(g) Acquisition of investment property: When an entity acquires investment property, it should assess whether the property meets the definition of a function in the Standards of GRAP on transfers of functions.</p> <p>(h) Deletion of illustrative examples in GRAP 18 on <i>Segment Reporting</i>: The guidance will be included in the GRAP Guideline issued by the National Treasury on this topic.</p>
<p>Additional amendments approved as a result of issuing GRAP 110 on <i>Living and Non-living Resources</i></p>	<p>The Board approved the publication of GRAP 110 on <i>Living and Non-living Resources</i> in March 2017. Where an entity has living resources, a key consideration is how those resources are used, particularly whether they are used in agricultural activities. With the change in accounting treatment of bearer plants from GRAP 27 to GRAP 17, additional amendments were included in the Improvements for 2016 for GRAP 110 to cater for this change in treatment.</p> <p>Additionally, similar amendments to those indicated in (a) to (d) above will also be made to GRAP 110.</p>

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Transitional provisions and effective date	
Transitional provisions vary	The transitional provisions for the adoption of the amendments vary. Transitional provisions are outlined for each of the amendments, along with any consequential amendments to other Standards of GRAP.
Effective date of 1 April 2018 proposed in ED 152	ED 152 proposed an effective date of 1 April 2018. The Board will make a submission to the Accountant-General to formally approve the effective date of the amendments.

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How to access information

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