



**Responses due by 31 October 2019**

## **ACCOUNTING STANDARDS BOARD**

# **INVITATION TO COMMENT ON IMPROVEMENTS TO STANDARDS OF GRAP (2019)**

**(ED 176)**



## Commenting on this Exposure Draft

The Accounting Standards Board (the Board) seeks comment on the Exposure Draft on *Improvements to Standards of GRAP (2019)* to enable the Board to improve and amend the Standards of GRAP outlined in this document.

The proposals in this Exposure Draft may be modified in the final documents in the light of comment received, before being issued as Improvements to the Standards of GRAP.

Comment should be submitted in writing so as to be received by **31 October 2019**. E-mail responses are preferred. Unless respondents to this Exposure Draft specifically request confidentiality, their comment is a matter of public record once the affected Standards of GRAP have been issued. Comment should be addressed to:

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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, 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” in Standards of GRAP.

The Board has approved the application of International Financial Reporting Standards (IFRS® Standards) issued by the International Accounting Standards Board® for:

- (a) public entities that meet the criteria outlined in the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities*; and
- (b) entities under the ownership control of any of these entities.

Financial statements should be described as complying with Standards of GRAP only if they comply with all the requirements of each applicable Standard and any related Interpretations of the Standards of GRAP.

Any limitation of the applicability of specific Standards or Interpretations is made clear in those Standards or Interpretations.

Standards of GRAP and Interpretations of the Standards of GRAP should also be read in conjunction with any directives issued by the Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards, published in the Government Gazette.

Reference may be made here to a Standard of GRAP that has not been issued at the time of issue of this Standard. This is done to avoid having to change the Standards



## ED 176

already issued when a later Standard is subsequently issued. Paragraph .11 of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.



## Contents

### Improvements to Standards of Generally Recognised Accounting Practice (GRAP) (2019)

	<b>Page</b>
Background and purpose of this Exposure Draft	7 – 8
Matters considered in developing this Exposure Draft	8
Other matters	8
Due process and timetable	8
Request for comment	8
Specific matters for comment	9
General matters for comment	9
Improvements to Standards of GRAP	10 – 35
A1. GRAP 5 – <i>Borrowing Costs</i>	11 – 12
A2. GRAP 13 – <i>Leases</i>	13 – 14
A3. GRAP 16 – <i>Investment Property</i>	15 – 19
A4. GRAP 17 – <i>Property, Plant and Equipment</i>	20 – 21
A5. GRAP 20 – <i>Related Party Disclosures</i>	22 – 25
A6. GRAP 24 – <i>Presentation of Budget Information in Financial Statements</i>	26 – 28
A7. GRAP 31 – <i>Intangible Assets</i>	29 – 30
A8. GRAP 32 – <i>Service Concession Arrangements: Grantor</i>	31 – 32
A9. GRAP 37 – <i>Joint Arrangements</i>	33 – 34



**ED 176**

A10. GRAP 106 – <i>Transfer of Functions Between Entities Not Under Common Control</i>	35 – 36
A11. Directive 7 – <i>The Application of Deemed Cost</i>	37 – 38
Annexure A – Matters considered by the Board in developing the Exposure Draft	39 – 57

## Background and purpose of this Exposure Draft

In line with best practice internationally among standard setters, the Board undertakes periodic revisions of the Standards of GRAP. The changes made to the Standards of GRAP as part of the 2019 Improvements Project comprise changes resulting from:

- amendments to International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board (IPSASB) as part of its 2015 and 2018 Improvements to IPSAS, and other improvements to IPSAS;
- amendments to International Financial Reporting Standards (IFRS<sup>®</sup> Standards) issued by the International Accounting Standards Board (IASB<sup>®</sup>) as part of improvements to IFRS Standards and other narrow-scope amendments, subsequent to the Board's 2016 Improvements project; and
- general improvements to ensure consistency between the Standards of GRAP, and/or to clarify existing principles identified through consultation with stakeholders.

The Board's Improvements Project comprises amendments to those Standards of GRAP that have been issued by the Board and for which the Minister of Finance has determined an effective date. This includes Standards of GRAP becoming effective for financial reporting periods commencing on or after 1 April 2020. The proposed amendments to the Standards of GRAP included in this Exposure Draft affect the following Standards of GRAP:

- GRAP 5 – *Borrowing Costs*
- GRAP 13 – *Leases*
- GRAP 16 – *Investment Property*
- GRAP 17 – *Property, Plant and Equipment*
- GRAP 20 – *Related Party Disclosures*
- GRAP 24 – *Presentation of Budget Information in Financial Statements*
- GRAP 31 – *Intangible Assets*
- GRAP 32 – *Service Concession Arrangements: Grantor*
- GRAP 37 – *Joint Arrangements*
- GRAP 106 – *Transfer of Functions Between Entities Not Under Common Control*
- Directive 7 – *The Application of Deemed Cost*

The Exposure Draft comprises marked-up text of the affected paragraphs in each Standard of GRAP where amendments and improvements are proposed. The proposed amendments are indicated as deleted text as struck through while additional text is underlined.

## **Matters considered in developing this Exposure Draft**

A complete list of the issues considered by the Board in developing this Exposure Draft, including those matters considered by the Board and not included in the scope of the 2019 Improvements Project, is included in Annexure A to this Exposure Draft for information purposes.

## **Other matters**

### **Transitional provisions and effective date**

The transitional provisions for each affected Standard of GRAP are included in the applicable Standard of GRAP. Amendments and improvements to the Standards of GRAP will become effective one year after the date of approval by the Board. An effective date of 1 April 2021 is therefore proposed for all amendments and improvements that form part of this Exposure Draft.

### **Due process and timetable**

The due process followed by the Board in developing Standards of GRAP is for the Board to receive comment on the proposals set out in the Exposure Draft from preparers, users, auditors, standard-setters and other parties with an interest in public sector financial reporting. Accordingly, all interested parties are invited to provide comment.

Exposure Drafts will usually have a comment period of three (3) months, although shorter or longer periods may be used for certain Exposure Drafts depending on the urgency to issue the final Standard. Upon the closure of the comment period, the Board will consider the comment received on this Exposure Draft and may modify the proposed amendments to the Standards of GRAP in the light of the comment received.

### **Request for comment**

Comment is invited by **31 October 2019** on this Exposure Draft. The Board requires that respondents express an overall opinion on whether the Exposure Draft, in general, is supported and to supplement this opinion with detailed comment, whether supportive or critical, on the principles in the Exposure Draft. Respondents are also invited to provide detailed comment identifying the specific paragraphs to which it relates, explaining the



issue and suggesting alternative wording, with supporting reasons, where appropriate. The basis for accepting or rejecting significant comment will be published on the website.

### **Specific matter for comment**

The Board proposes to expand the definition of a related party, and the disclosure of related party transactions in the Standard of GRAP on *Related Party Disclosures* (GRAP 20). The proposed amendment includes, within the definition of a related party, transactions that arise when an entity, or any member of a group of which that entity is part, provides management services to the reporting entity, or the controlling entity of the reporting entity.

This amendment is proposed to address divergent practice of some entities not identifying and disclosing management services as a related party transaction. The proposed improvements are included in paragraphs .10, .27A, and .27B to GRAP 20 (see section A5 of the proposed Exposure Draft).

- (a) Explanatory guidance of what management services comprise has been included in paragraph .27B. Do you agree with the explanatory guidance included in this paragraph? If not, please explain your response by indicating how the guidance should be amended.
- (b) The proposed improvement clarifies that where an entity receives management services from an entity, it should disclose the service fee paid, or payable, and any other related party transactions with the management entity. An entity is not required to apply the disclosure requirements for remuneration to management for the compensation paid or payable by the management entity, to the management entity's employees or those charged with governance.

In your view, do you foresee any practical implementation issues with introducing this amendment in GRAP 20? Please explain your response.

### **General matters for comment**

As with any other Exposure Draft, comment on any other matter contained in this Exposure Draft would also be welcomed. Comment is most helpful if reference is made to a specific paragraph or group of paragraphs.



**ED 176**

# **IMPROVEMENTS TO STANDARDS OF GRAP (2019)**

## A1. Amendments to the Standard of GRAP on *Borrowing Costs*

The changes to the Standard of GRAP on *Borrowing Costs* (GRAP 5) are:

Type of amendment	Paragraph reference	Summary of proposed amendment
<i>Improvements to IPSAS, 2018</i>	.18, .39A	Clarify that an entity includes borrowings made specifically to obtain a qualifying asset in general borrowings when that qualifying asset is ready for its intended sale or use.

## Amendments to the Standard of GRAP on *Borrowing Costs*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 5 have been amended:

### **Borrowing costs – allowed alternative treatment**

...

#### **Borrowing costs eligible for capitalisation**

...

**.18** *To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to all the borrowings of the entity that are outstanding during the period. However, an entity shall exclude from this calculation borrowings costs applicable to other than borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare the asset for its intended use or sale are complete. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.*

### **Effective date**

...

#### **Entities already applying Standards of GRAP**

**.39A** Paragraph .18 was amended by the Improvements to the Standards of GRAP (2019) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2021]. An entity shall apply these amendments prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.



## A2. Amendments to the Standard of GRAP on *Leases*

The changes to the Standard of GRAP on *Leases* (GRAP 13) are:

Type of amendment	Paragraph reference	Summary of proposed amendment
General improvements	.64, .67, .74 and .81B	Clarify that operating leases and sale and lease back transactions may also be assessed for impairment in accordance with the requirements of the Standard of GRAP on <i>Impairment of Non-cash-generating Assets</i> (GRAP 21) to reflect instances where leases are entered into between entities that are not on market terms.



## Amendments to the Standard of GRAP on Leases

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 13 have been amended:

### Operating leases

...

.64 To determine whether a leased asset has become impaired, an entity applies GRAP 21 or GRAP 26.

...

### Disclosures

.67 In addition, the disclosure requirements of GRAP 16, GRAP 17, GRAP 21, GRAP 26, GRAP 27 and GRAP 31 apply to lessors for assets provided under operating leases.

### Sale and leaseback transactions

.74 For finance leases, no such adjustment is necessary unless there has been an impairment in value and that impairment is required to be recognised in accordance with the requirements of GRAP 21 or GRAP 26.

### Effective date

...

### Entities already applying Standards of GRAP

**.81B Paragraphs .64, .67, and .74 were amended by the Improvements to the Standards of GRAP (2019) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2021]. An entity shall apply these amendments prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.**

### A3. Amendments to the Standard of GRAP on *Investment Property*

The changes to the Standard of GRAP on *Investment Property* (GRAP 16) are:

Type of amendment	Paragraph reference	Summary of proposed amendment
General improvements	.89, .96, .105B	Clarify that investment property may also be assessed for impairment in accordance with the requirements in GRAP 21 to reflect instances where leases are entered into between entities that are not on market terms.
<i>Improvements to IPSAS, 2018</i>	Headings to .06 and .07	Update the headings on classifying property as investment property or owner-occupied property.
	.72, .74, .105B, .105C	Clarify the requirements relating to transfer of investment property to reflect the principle that a change in use would involve (a) an assessment of whether a property meets, or ceases to meet, the definition of investment property; and (b) evidence that a change in use has occurred. The list of examples in which a transfer occurs is re-characterised as a non-exhaustive list to be consistent with this principle.
	.82, .105B	Following previous improvements to the GRAP 16, investment property under construction is within the scope of GRAP 16. A new heading is included before paragraph .82 to clarify that the paragraph provides guidance on initially measuring self-constructed investment property at fair value. Paragraph .82 is also amended to clarify that this could be prior to completion.

## Amendments to the Standard of GRAP on *Investment Property*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 16 have been amended:

### **Classification of property as investment property or owner-occupied property**

#### **~~Property interest held by a lessee under an operating lease~~**

- .06 A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property and the lessee uses the fair value model set out in paragraphs .46 to .70 for the asset recognised. This classification alternative is available on a property-by-property basis. However, once this classification alternative is selected for one such property interest held under an operating lease, all property classified as investment property shall be accounted for using the fair value model. When this classification alternative is selected, any interest so classified is included in the disclosures required by paragraphs .90 to .95.***

#### **Investment property**

- .07** Entities in the public sector often own a significant number of properties. While the properties are most often used to deliver goods or services in accordance with each entity's respective mandated functions, some entities use them to provide additional sources of revenue, e.g. through rental, or through the value that could be realised if the properties are sold.

...

#### **Transfers**

- .72 An entity shall transfer a property ~~Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:~~ A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. Examples of a change in use include:***
- (a) commencement of owner-occupation, or development with a view to owner-occupation, for a transfer from investment property to owner-***

*occupied property;*

- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;*
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; ~~or~~ and*
- (d) ~~commencement~~ inception of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property*

...

.74 Paragraph .72(b) requires an entity to transfer a property from investment property to inventories when, and only when, there is a change in use, evidenced by commencement of development with a view to sale. When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not ~~treat~~ reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the entity remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

...

### **Guidance on initially measuring self-constructed investment property at fair value**

**.82 When an entity completes the construction or development of a self-constructed investment property that will be carried at fair value, or when its fair value becomes reliably measurable (whichever is earlier), any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus or deficit.**

...

### **Disposals**

...

.89 Impairments or losses of investment property, related claims for or payments of compensation from third parties and any subsequent purchase or construction of



replacement assets are separate economic events and are accounted for separately as follows:

- (a) impairments of investment property are recognised in accordance with GRAP 21 or GRAP 26;

....

## Disclosure

### Cost model

**.96** *In addition to the disclosures required by paragraph .91, an entity that applies the cost model in paragraph .71 shall disclose:*

....

- (d) *a reconciliation of the carrying amount of investment property at the beginning and end of the period, showing the following:*

....

- (iv) *the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with GRAP 21 or GRAP 26;*

...

### Effective date

...

### Entities already applying Standards of GRAP

**.105B** *The following paragraphs were amended by the Improvements to the Standards of GRAP (2019) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2021]. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact. An entity shall apply these amendments as follows:*

- (a) *paragraphs .72 and .74 shall be applied prospectively for property held on Day Month Year [proposed as 1 April 2021] and, if applicable, reclassify property applying paragraphs .07 to .24 to reflect the conditions that exist at that date.*

*Notwithstanding these requirements, an entity is permitted to apply the amendments to paragraphs .72 and .74 retrospectively in*



**accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) if, and only if, that is possible without the use of hindsight;**

- (b) paragraph .82 shall be applied retrospectively in accordance with GRAP 3; and**
- (c) paragraphs .89 and .96 shall be applied prospectively in accordance with GRAP 3.**

**.105C If, in accordance with paragraph .105B(a) an entity reclassifies property on or after the beginning of the reporting period in which the entity first applies the amendments ("the date of initial application"), the entity shall:**

- (a) account for the reclassification applying the requirements in paragraphs .76 to .81. In applying paragraphs .76 to .81, and entity shall:**
  - (i) read any difference to the date of change in use as the date of initial application; and**
  - (ii) recognise any amount that, in accordance with paragraphs .76 to .78, would have been recognised in surplus or deficit as an adjustment to the opening balance of accumulated surplus or deficit at the date of initial application; and**
- (b) disclose the amounts reclassified to, or from investment property in accordance with paragraph 105B(a). The entity shall disclose those amounts reclassified as part of the reconciliation of the carrying amount of investment property as at the beginning and end of the period as required by paragraphs .93 and .96.**



**A4. Amendments to the Standard of GRAP on *Property, Plant and Equipment***

The changes to the Standard of GRAP on *Property, Plant and Equipment* (GRAP 17) are:

Type of amendment	Paragraph reference	Summary of proposed amendment
General improvements	.69, .70, .102B	As land has an unlimited useful life and cannot be consumed through its use, the example indicating that quarries and land used for landfill may be depreciated in certain cases is deleted.



## Amendments to the Standard of GRAP on *Property, Plant and Equipment*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 17 have been amended:

### Depreciable amount and depreciation period

...

Depreciation

...

- .69 Land and buildings are separable assets and are accounted separately, even when they are acquired together. ~~With some exceptions, such as quarries and sites used for landfill,~~ land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building.
- .70 If the cost of land includes the costs of site dismantlement, removal and restoration, the portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs. ~~In some cases, the land itself may have a limited useful life, in which case it is depreciated in a manner that reflects the benefits or service potential to be derived from it.~~

### Effective date

...

Entities already applying Standards of GRAP

**.102B Paragraphs .69 and .70 were amended by the Improvements to the Standards of GRAP (2019) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2021]. An entity shall apply these amendments retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.**



## A5. Amendments to the Standard of GRAP on *Related Party Disclosures*

The changes to the Standard of GRAP on *Related Party Disclosures* (GRAP 20) are:

Type of amendment	Paragraph reference	Summary of proposed amendment
General improvements	.34	Amending the disclosure requirement that requires the disclosure of outstanding related party balances where transactions occur within normal supplier and/or client/recipient relationships, and within normal established operating parameters.
IASB's <i>Annual Improvements to IFRSs 2010 – 2012 Cycle</i>	.10, .27A, .27B, .35A, .39A	Clarifying how payments to entities providing management services that are not undertaken within the same economic entity should be disclosed, and what these services comprise.

## Amendments to the Standard of GRAP on *Related Party Disclosures*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 20 have been amended:

### Definitions

**.10** *The following terms are used in this Standard with the meanings specified:*

*A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:*

- (a) ...
- (b) *An entity is related to the reporting entity if any of the following conditions apply:*
  - (i) .....
  - (viiA) The entity, or any member of a group of which it is part, provides management services to the reporting entity or to the controlling entity of the reporting entity.**

### Disclosure of related party transactions

**.27** *Subject to the exemptions in paragraph .32, if a reporting entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph .35 to disclose remuneration of management. At a minimum, disclosures shall include:*

- (a) *the amount of the transactions;*
- (b) *the amount of outstanding balances, including commitments; and*
  - (i) *their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and*

- (ii) *details of any guarantees given or received;*
- (c) *provisions for doubtful debts related to the amount of outstanding balances; and*
- (d) *the expense recognised during the period in respect of bad or doubtful debts due from related parties.*

**.27A** *Amounts incurred by the entity for the provision of management services that are provided by a separate management entity shall be disclosed.*

**.27B** *Management services comprise those services where employees of the management entity participate in the strategic direction and financial and operating policy decision-making of an entity.*

....

**.34** *Where a reporting entity is exempt from the disclosures in accordance with paragraph .32 the entity shall disclose narrative information about the nature of the transactions ~~and the related outstanding balances referred to in paragraph .27~~ to enable users of the reporting entity's financial statements to understand the effect of related party transactions on its financial statements.*

## Disclosure of remuneration of management

**.35** ...

**.35A** *If an entity obtains management services from another entity ("the management entity") the entity is not required to apply the requirements in paragraph .35 to the compensation paid or payable by the management entity to the management entity's employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions.*

## Effective date

...

## Entities already applying Standards of GRAP

**.39A** *Paragraphs .10 and .34 were amended and paragraphs .27A, .27B, and .35A added by the Improvements to the Standards of GRAP (2019) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2021]. An*



ED 176

**entity shall apply these amendments retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.**



## **A6. Amendments to the Standard of GRAP on *Presentation of Budget Information in Financial Statements***

### **Summary of changes**

The changes to the Standard of GRAP on *Presentation of Budget Information in Financial Statements* (GRAP 24) are:

<b>Type of amendment</b>	<b>Paragraph reference</b>	<b>Summary of proposed amendment</b>
<i>Improvements to IPSAS, 2018</i>	.19, .20, .22, .54A	Aligning terminology with wording used elsewhere in the Standards of GRAP.

## **Amendments to the Standard of GRAP on *Presentation of Budget Information in Financial Statements***

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 24 have been amended:

...

### **Presentation and disclosure**

**.19 *An entity shall present a comparison of budget and actual amounts as additional budget columns in the ~~primary~~ financial statements only where the financial statements and the budget are prepared on a comparable basis.***

.20 Comparisons of budget and actual amounts may be presented in a separate financial statement (“statement of comparison of budget and actual amounts” or a similarly titled statement) included in the complete set of financial statements as specified in the Standard of GRAP on *Presentation of Financial Statements* (GRAP 1). Alternatively, where the financial statements and the budget are prepared on a comparable basis – that is, on the same basis of accounting for the same entity and reporting period, and adopt the same classification structure – additional columns may be added to the face of the ~~existing primary~~ financial statements presented in accordance with Standards of GRAP. These additional columns will identify approved and final budget amounts and, if the entity so chooses, differences between the budget and actual amounts.

...

.22 Where budgets are prepared on the accrual basis and encompass the full set of financial statements, additional budget columns can be added to ~~all the primary~~ face of the financial statements required by Standards of GRAP. In some cases, budgets prepared on the accrual basis may be presented in the form of only certain of the ~~primary~~ financial statements that comprise the full set of financial statements as specified by Standards of GRAP – for example, the budget may be presented as a statement of financial performance or a cash flow statement, with additional information provided in supporting schedules. In these cases, the additional budget columns can be included on the face of the ~~in the primary~~ financial statements that are also adopted for presentation of the budget. Determining the extent of comparison involves professional judgement. That judgement is applied in the context of the



objective of this Standard and the qualitative characteristics of financial reporting as outlined in paragraph .25 and the *Framework for the Preparation and Presentation of Financial Statements*<sup>1</sup>.

## Effective date

...

### Entities already applying Standards of GRAP

**.54A Paragraphs .19, .20 and .22 were amended by the Improvements to the Standards of GRAP (2019) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2021]. An entity shall apply these amendments retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.**

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<sup>1</sup> In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting*

## A7. Amendments to the Standard of GRAP on *Intangible Assets*

### Summary of changes

The changes to the Standard of GRAP on *Intangible Assets* (GRAP 31) are:

Type of amendment	Paragraph reference	Summary of proposed amendment
<i>Improvements to IPSAS, 2018</i>	.110, .134B	Extend the requirement to consider whether reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired to include revalued intangible assets, following amendments to GRAP 21 and the Standard of GRAP on <i>Impairment of Cash-generating Assets</i> (GRAP 26).

## Amendments to the Standard of GRAP on *Intangible Assets*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 31 have been amended:

### Review of useful life assessment

...

- .110 ~~For intangible assets measured under the cost model reassessing the useful life of an intangible asset as finite rather than indefinite in accordance with GRAP 21 or GRAP 26, as appropriate,~~ reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired. As a result, the entity tests the asset for impairment by comparing its recoverable amount or recoverable service amount, determined in accordance with GRAP 21 or GRAP 26, as appropriate, with its carrying amount, and recognising any excess of the carrying amount over the recoverable amount or recoverable service amount, as appropriate, as an impairment loss.

### Effective date

...

#### Entities already applying Standards of GRAP

- .134B Paragraph .110 was amended by the Improvements to the Standards of GRAP (2019) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2021]. An entity shall apply these amendments prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply this amendment earlier, it shall disclose this fact.**



## **A8. Amendments to the Standard of GRAP on *Service Concession Arrangements: Grantor***

The changes to the Standard of GRAP on *Service Concession Arrangements: Grantor* (GRAP 32) are:

<b>Type of amendment</b>	<b>Paragraph reference</b>	<b>Summary of proposed amendment</b>
<i>Improvements to IPSAS, 2015</i>	.31, .33A	Clarifying the disclosure requirements for service concession assets.

## **Amendments to the Standard of GRAP on Service Concession Arrangements: Grantor**

Amended text is shown with new text underlined and deleted text struck through. The annexure illustrating certain aspects of the requirements of the Standard has been deleted. The following amendments have been made in GRAP 32:

### **Presentation and disclosure (see Appendix A paragraphs AG65. to AG67.)**

**.30 A grantor shall disclose the following information for each material service concession arrangement and in aggregate for individually immaterial service concession arrangements that are material collectively in each reporting period:**

...

**(c) The nature and extent (e.g. quantity, time period, or amount, as appropriate) of:**

**(i) rights to use specified assets;**

**(ii) rights to expect the operator to provide specified services in relation to the service concession arrangement;**

**(iii) the carrying amount of service concession assets recognised at as assets during the reporting date period, including existing assets of the grantor reclassified as service concession assets;**

....

### **Effective date**

...

### **Entities already applying Standards of GRAP**

**.33A Paragraph .30 was amended by the Improvements to the Standards of GRAP (2019) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2021]. An entity shall apply these amendments retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply this amendment earlier, it shall disclose this fact.**



ED 176

## **A9. Amendments to the Standard of GRAP on *Joint Arrangements***

### **Summary of changes**

The changes to the Standard of GRAP on *Joint Arrangements* (GRAP 37) are:

<b>Type of amendment</b>	<b>Paragraph reference</b>	<b>Summary of proposed amendment</b>
<i>Improvements to IPSAS, 2015</i>	.31A, AG36A	Clarify the accounting for a previously held interest in a joint operation when a party obtains joint control.



## Amendments to the Standard of GRAP on *Joint Arrangements*

### Summary of changes

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs GRAP 37 have been amended:

#### Effective date

....

#### Entities already applying Standards of GRAP

**.31A Paragraph AG36A was added by the Improvements to the Standards of GRAP (2019) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2021]. An entity shall apply these amendments to transactions in which it obtains joint control on or after the beginning of the reporting period in which the entity first applies the amendments. Earlier application is permitted. If an entity elects to apply this amendment earlier, it shall disclose this fact.**

## Appendix A - Application guidance

*This appendix is an integral part of this Standard.*

...

### Financial statements of parties to a joint arrangement (paragraphs .21 to .27)

#### Accounting for acquisitions of interests in joint operations

...

**AG36A. A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a function as defined in GRAP 105 or GRAP 106. In such cases, the previously held interests in the joint operation are not remeasured.**



**A10. Amendments to the Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control***

The changes to the Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control* (GRAP 106) are:

Type of amendment	Paragraph reference	Summary of proposed amendment
<i>Improvements to IPSAS, 2018</i>	.70A, .101A	Clarify the application of the acquisition method to transfers of functions for a previously held interest in a joint operation when a party obtains control of the joint operation.



## **Amendments to the Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control***

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 106 have been amended:

### **A transfer of functions achieved in stages**

...

**.70A** When a party to a joint arrangement (as defined in the Standard of GRAP on *Joint Arrangements*) (GRAP 37) obtains control of an operation that is a joint operation (as defined in GRAP 37), and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is an acquisition achieved in stages. The acquirer shall therefore apply the requirements for an acquisition achieved in stages, including remeasuring its previously held interest in the joint operation in the manner described in paragraph .70. In doing so, the acquirer shall remeasure its entire previously held interest in the joint operation.

### **Effective date**

...

#### **Entities already applying Standards of GRAP**

**.101A** *Paragraph .70A was added by the Improvements to the Standards of GRAP (2019) issued on Month Year. This amendment is effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2021]. An entity shall apply this amendment to transfer of functions between entities not under common control for which the acquisition date is on or after the beginning of the reporting period in which the entities first applies the amendments. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.*



**A11. Amendments to the Directive on *The Application of Deemed Cost***

The changes to the Directive on the Application of Deemed Cost (Directive 7) are:

Type of amendment	Paragraph reference	Summary of proposed amendment
General improvements	.04	Clarify that bearer plants are within the scope of the Directive.

## Amendments to the Directive on *The Application of Deemed Cost*

Amended text is shown with new text underlined and deleted text struck through. The following paragraph in Directive 7 has been amended

### Scope

.04 This Directive does not address:

- (a) ...
- (b) the deemed cost of biological assets, except for bearer plants, that form part of an agricultural activity. These assets are initially measured at fair value in accordance with the Standard of GRAP on *Agriculture*.



ED 176

## **ANNEXURE A**

# **MATTERS CONSIDERED BY THE BOARD IN DEVELOPING THE EXPOSURE DRAFT**

## Part A: General Improvements to Standards of GRAP

General improvements include amendments to the Standards of GRAP to ensure consistency between the Standards, and/or to clarify existing principles identified during consultations with stakeholders.

### (a) Improvements to clarify existing principles and/or to ensure consistency between the Standards of GRAP

Table A sets out possible amendments identified by stakeholders and/or other issues identified by the Secretariat of the ASB.

**Table A: List of possible amendments identified by stakeholders or the Secretariat of the ASB**

No.	Standard	Possible Amendment	Recommendation
1.	GRAP 13 <i>Leases</i>	<p>Stakeholders indicated that GRAP 13 only requires operating leases and sale and leaseback transactions to be assessed for impairment in accordance with the requirements of GRAP 26.</p> <p>It was indicated that these arrangements may also be assessed for impairment in accordance with the requirements in GRAP 21 where leases are entered into between entities, that are not on market terms. It was suggested that the reference to GRAP 21 be included.</p>	<p>The Board agreed that the amendment is relevant and supports the recommendation.</p> <p><i>[Refer to section A2 in the Exposure Draft]</i></p>

No.	Standard	Possible Amendment	Recommendation
2.	GRAP 16 <i>Investment Property</i>	<p>Similar to the comment on leases, stakeholders indicated that GRAP 16 only requires investment property to be assessed for impairment in accordance with the requirements of GRAP 26.</p> <p>It was indicated that investment property may also be assessed for impairment in accordance with the requirements in GRAP 21 where leases are entered into between entities, that are not on market terms. It was suggested that the reference to GRAP 21 should be included.</p>	<p>The Board agreed that the amendment is relevant and supports the recommendation.</p> <p><i>[Refer to section A3 in the Exposure Draft]</i></p>
3.	GRAP 17 <i>Property, Plant and Equipment</i>	<p>IGRAP 18 on <i>Recognition and Derecognition of Land</i> indicates that land has an unlimited useful life. Through engagements with stakeholders on ED 166 Guideline on <i>Accounting for Landfill Sites</i>, the Board noted that land used in a landfill site will have an unlimited useful life and is not consumed through its use.</p> <p>As land has an unlimited useful life and cannot be consumed through its use, it was recommended that the example in GRAP 17.69, indicating that land may be depreciated in certain cases, should be deleted.</p>	<p>The Board agreed that the amendment is relevant and supports the recommendation.</p> <p><i>[Refer to section A4 in the Exposure Draft]</i></p>

No.	Standard	Possible Amendment	Recommendation
4.	GRAP 20 <i>Related Party Disclosures</i>	During the Board's 2016 Improvements Project, stakeholders requested the Board to revisit the disclosure requirement in paragraph .34. Stakeholders were of the view that the disclosure requirement in paragraphs .27 and .34 are contradictory.	<p>The Board agreed that the disclosures are contradictory, but an amendment was not made during the Board's 2016 Improvements Project, as GRAP 20 was not yet effective when the Board undertook that Improvements Project.</p> <p>As GRAP 20 is now effective, the Board agreed that an amendment is required to paragraph .34 to eliminate the contradiction with paragraph .27.</p> <p><i>[Refer to section A5 in the Exposure Draft]</i></p>
5.	GRAP 1 <i>Preparation of Financial Statements</i> GRAP 9 <i>Revenue from Exchange Transactions</i> GRAP 23 <i>Revenue from Non-exchange Transactions (Taxes and Transfers)</i> GRAP 104 <i>Financial Instruments</i> GRAP 108 <i>Statutory Receivables</i>	<p>During the Board's 2016 Improvements Project, stakeholders noted that the disclosure of revenue and receivables, particularly the separation between exchange and non-exchange, and contractual and statutory, is either required on the face of financial statements, or in the notes to financial statements.</p> <p>Stakeholders requested the Board to consider reviewing the disclosure requirements in GRAP 1, GRAP 9, GRAP 23, GRAP 104 and GRAP 108 in standardising the disclosure requirements.</p>	<p>Matter not considered as part of the 2019 Improvements Project.</p> <p>The Board agreed to delay the standardising of the disclosure requirements in GRAP 1, GRAP 9, GRAP 23, GRAP 104 and GRAP 108 until the IPSASB has finalised its Revenue project.</p> <p>In the interim, a Frequently Asked Question could be developed to explain the application of materiality following the amendments to GRAP 1 as part of the materiality project.</p>



No.	Standard	Possible Amendment	Recommendation
6.	Directive 7 <i>The Application of Deemed Cost</i>	Stakeholders requested that the scope of Directive 7 should be clarified to include bearer plants. This proposal follows the amendments made during the Board's 2016 Improvements Project that defined a bearer plant and included it within the scope of GRAP 17.	The Board agreed that the amendment is relevant and supports the recommendation.  <i>[Refer to section A11 in the Exposure Draft]</i>



**(b) Deletion of appendices outlining illustrative examples in the Standards of GRAP**

Changes made to the Standards of GRAP as part of the Board's previous Improvement Projects included the deletion of appendices outlining illustrative examples. These appendices were deleted as the development of implementation guidance is the responsibility of the National Treasury.

As the National Treasury is currently updating the existing GRAP Implementation Guidelines, the Board agreed to delay the deletion of appendices outlining illustrative examples for the following Standards of GRAP:

- The Standard of GRAP on *Related Party Disclosures*
- The Standard of GRAP on *Service Concession Arrangements: Grantor*
- The Standard of GRAP on *Consolidated Financial Statements*
- The Standard of GRAP on *Joint Arrangements*
- The Standard of GRAP on *Accounting by Principals and Agents*.

The appendices outlining illustrative examples in these Standards of GRAP will be considered for deletion during the Board's next Improvements Project.

## Part B: IPSASB Amendments

This part of the improvements considers amendments made by the IPSASB as part of *Improvements to IPSAS, 2018*. It also considers amendments made by the IPSASB as part of *Improvements to IPSAS, 2015* for those Standards of GRAP that were not effective when the Board undertook its 2016 Improvements Project. Changes from other improvements to IPSAS were also considered.

### (a) Improvements to IPSAS, 2015

Table B sets out amendments from the IPSASB's *Improvements to IPSAS, 2015*.

**Table B: List of amendments from *Improvements to IPSAS, 2015***

No.	Standard	Possible Amendment	Recommendation
1.	IPSAS 32 <i>Service Concession Arrangements</i>	Amendments made to clarify the disclosure requirements for service concession assets.	The Board agreed that the amendment is relevant. <i>[Refer to section A8 in the Exposure Draft]</i>

### (b) Improvements to IPSAS, 2018

Table C sets out amendments from the IPSASB's *Improvements to IPSAS, 2018*.

**Table C: List of amendments from *Improvements to IPSAS, 2018***

No.	Standard	Possible Amendment	Recommendation
1.	IPSAS 2 <i>Cash Flow Statements</i>	Add disclosures to enable the users of financial statements to evaluate changes in liabilities arising from financing activities.	Matter not considered as part of the 2019 Improvements Project. The revisions to IPSAS 2 will be considered as part of the Board's project on the use of the cash flow statement to facilitate comparisons with the budget.

No.	Standard	Possible Amendment	Recommendation
2.	<p>IPSAS 10 <i>Financial Reporting in Hyperinflationary Economies</i></p> <p>IPSAS 22 <i>Disclosure of Financial Statements about the General Government Sector</i></p> <p>IPSAS 24 <i>Presentation of Budget Information in Financial Statements</i></p>	<p>Aligning terminology with wording used elsewhere in the IPSAS.</p>	<p>The Board agreed that the amendment is relevant. To avoid entities from adding additional columns to the financial statements and the notes thereto, the reference was amended to “on the face of the financial statements”, where appropriate.</p> <p><i>[Refer to section A6 in the Exposure Draft]</i></p> <p>As the term “primary financial statements” is not used in GRAP 10, no amendment is required for this Standard.</p> <p>As the Board does not have an equivalent Standard of GRAP for IPSAS 22, no amendment is required.</p>
3.	<p>IPSAS 4 <i>The Effects of Changes in Foreign Exchange Rates</i></p>	<p>Clarify how to account for a transaction when an entity recognises a non-monetary asset, or a non-monetary liability, arising from the payment or receipt of an advance consideration before recognising the related asset, expense or revenue.</p>	<p>Matter not considered as part of the 2019 Improvements Project.</p> <p>The Board proposes in ED 171 <i>Identifying Projects to Prioritise on the ASB’s Work Programme for the Period 1 April 2020 to 31 March 2023</i> to undertake a project to develop an equivalent pronouncement for IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>. The amendments to IPSAS 4 will be considered as part of that project if the Board agrees to commence the project during 2020 to 2023.</p>

No.	Standard	Possible Amendment	Recommendation
			If the Board agrees not to commence the project, entities will consider IFRIC 22 as outlined in the GRAP Reporting Framework.
4.	IPSAS 5 <i>Borrowing Costs</i>	Clarify the calculation of borrowing costs eligible for capitalisation for funds borrowed generally.	The Board agreed that the amendment is relevant. <i>[Refer to section A1 in the Exposure Draft]</i>
5.	IPSAS 16 <i>Investment Property</i>	Update the requirements for the transfer of investment property when an entity completes the construction or development of a self-constructed investment property carried at fair value.	The Board agreed that the amendment is relevant. <i>[Refer to section A3 in the Exposure Draft]</i>
		Amend the transitional disclosure requirements to ensure consistency with other amendments made to IPSAS 33 <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)</i> .	Matter not considered as part of the 2019 Improvements Project.  The amendment is not relevant as there is no equivalent Standard of GRAP for IPSAS 33.
		Update the heading to reflect the interrelationship between IPSAS 40 <i>Public Sector Combinations</i> and IPSAS 16 when classifying property as investment property or owner-occupied property.	The Board agreed that the amendment is relevant. <i>[Refer to section A3 in the Exposure Draft]</i>

No.	Standard	Possible Amendment	Recommendation
		<p>Amend the requirements for the transfer of investment property to reflect that a change in use will involve an assessment of whether a property ceases to meet the definition of investment property, and that evidence exists for the change in use. The list of examples in which a transfer occurs has been re-characterised as a list of non-exhaustive examples.</p>	<p>The Board agreed that the amendment is relevant.</p> <p><i>[Refer to section A3 in the Exposure Draft]</i></p>
6.	<p>IPSAS 17 <i>Property, Plant and Equipment</i></p>	<p>Amend the transitional disclosure requirements to ensure consistency with other amendments made to IPSAS 33 <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)</i>.</p>	<p>Matter not considered as part of the 2019 Improvements Project.</p> <p>The amendment is not relevant as there is no equivalent Standard of GRAP for IPSAS 33.</p>
7.	<p>IPSAS 31 <i>Intangible Assets</i></p>	<p>Revise IPSAS 31 to extend the requirement to consider whether reassessing the useful life of an intangible asset as finite, rather than indefinite, is an indicator that the intangible asset may be impaired.</p>	<p>The Board agreed that the amendment is relevant.</p> <p><i>[Refer to section A7 in the Exposure Draft]</i></p>
8.	<p>IPSAS 33 <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)</i></p>	<p>Clarify that the exemption from providing comparative information applies only to the first financial statements issued following the adoption of accrual basis IPSAS.</p>	<p>Matter not considered as part of the 2019 Improvements Project.</p> <p>The amendment is not relevant as there is no equivalent Standard of GRAP for IPSAS 33.</p>

No.	Standard	Possible Amendment	Recommendation
		Update the basis for conclusions and Implementation Guidance to reflect that relief from the requirement to disclose experience adjustments in respect of defined benefit schemes, is no longer required.	Matter not considered as part of the 2019 Improvements Project. The amendment is not relevant as there is no equivalent Standard of GRAP for IPSAS 33.
9.	IPSAS 34 <i>Separate Financial Statements</i>	Revise the measurement and presentation of controlled investment entities in the separate financial statements of controlling entities that are not themselves investment entities.	Matter not considered as part of the 2019 Improvements Project. The principle in GRAP 34 on the measurement and presentation of controlled investment entities in the separate financial statements of controlling entities that are not themselves investment entities, is the same as that required by this amendment to IPSAS 34. No further amendment is required.
10.	IPSAS 36 <i>Investments in Associates and Joint Ventures</i>	Clarify that an entity is able to choose between applying the equity method or measuring the investment at fair value for each investment in an associate or joint venture.	Matter not considered as part of the 2019 Improvements Project. As the accounting policy choice is already included in GRAP 36, no further amendment is required.
11.	IPSAS 37 <i>Joint Arrangements</i>	Clarify the accounting for a previously held interest in a joint operation when a party obtains joint control.	The Board agreed that the amendment is relevant. <i>[Refer to section A9 in the Exposure Draft]</i>

No.	Standard	Possible Amendment	Recommendation
12.	IPSAS 39 <i>Employee Benefits</i>	Revise the principles for defined benefit plans to require an entity to use updated assumptions from the remeasurement associated with a change to a plan, to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.	Matter not considered as part of the 2019 Improvements Project.  The revisions to IPSAS 39 will be considered as part of the Board's project on the review of the Standard of GRAP on <i>Employee Benefits</i> .
13.	IPSAS 40 <i>Public Sector Combinations</i>	Clarify the accounting for a previously held interest in a joint operation when a party obtains control of the joint operation.	The Board agreed that the amendment is relevant as it relates to the amendment made to IPSAS 37.  <i>[Refer to section A10 in the Exposure Draft]</i>

### (c) Other improvements to IPSAS

Table D sets out amendments from improvements to other IPSAS.

**Table D: List of amendments from other improvements to IPSAS**

No.	Standard	Possible Amendment	Recommendation
1.	IPSAS 36 <i>Investments in Associates and Joint Ventures</i> and IPSAS 41 <i>Financial Instruments</i> (issued in January 2019)	Clarify that long-term interests in an associate and joint venture are within the scope of IFRS 9, including the impairment requirements.  Amend the classification requirements in IPSAS 41 to clarify that particular financial assets with prepayment features that may result in reasonable negative compensation for the early termination of the contract, are	Matter not considered as part of the 2019 Improvements Project.  The amendments to IPSAS 36 and IPSAS 41 were considered as part of the Board's project on the review of the Standard of GRAP on <i>Financial Instruments</i> .



**ED 176**

<b>No.</b>	<b>Standard</b>	<b>Possible Amendment</b>	<b>Recommendation</b>
		eligible to be measured at amortised cost or at fair value through surplus of deficit.	



**Part C: IASB Amendments**

The IASB has two processes to issue minor amendments, i.e. improvements and narrow-scope amendments to IFRS Standards.

The Board considers both types of amendments as part of its 2019 Improvements Project.

**(a) Improvements to IFRS Standards**

The following improvements have been approved since the Board’s 2016 Improvements Project:

- *Annual Improvements to IFRS Standards 2014 – 2016 Cycle (issued in December 2016)*
- *Annual Improvements to IFRS Standards 2015 – 2017 Cycle (issued in December 2017)*

The Board also considered the *Annual Improvements to IFRSs 2010 – 2012 Cycle* (issued in December 2013) for those Standards of GRAP that were not effective when the Board undertook its 2016 Improvements Project.

*Annual Improvements to IFRSs 2010 – 2012 Cycle*

Table E sets out amendments from the IASB’s *Annual Improvements to IFRSs 2010 – 2012 Cycle* issued in December 2013.

**Table E: List of amendments from *Annual Improvements to IFRSs 2010 – 2012 Cycle***

No.	Standard	Possible Amendment	Recommendation
1.	IAS 24 <sup>®</sup> <i>Related Party Disclosures</i>	Amendment made to clarify how payments to entities providing management services that are not undertaken within the same economic entity, should be disclosed, and what these services comprise.	The Board agreed that the amendment is relevant. <i>[Refer to section A5 in the Exposure Draft]</i>

*Annual Improvements to IFRS Standards 2014 – 2016 Cycle*

Table F sets out amendments from the IASB's *Annual Improvements to IFRS Standards 2014 – 2016 Cycle* issued in December 2016.

**Table F: List of amendments from *Annual Improvements to IFRS Standards 2014 – 2016 Cycle***

No.	Standard	Possible Amendment	Recommendation
1.	IFRS 1 <sup>®</sup> <i>First-time Adoption of International Financial Reporting Standards</i>	Delete the short-term exemptions for first time adopters as the reporting periods to which the relief applied, have passed.	Matter not considered as part of the 2019 Improvements Project.  The amendment is not relevant as there is no equivalent Standard of GRAP.
2.	IFRS 12 <sup>®</sup> <i>Disclosures of Interests in Other Entities</i>	Amendment to clarify that an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> are within the scope of IFRS 12.	Matter not considered as part of the 2019 Improvements Project.  The amendment is not relevant is the Standard of GRAP on <i>Discontinued Operations</i> does not prescribe measurement, presentation and disclosure requirements for disposal groups held for sale.
3.	IAS 28 <sup>®</sup> <i>Investments in Associates and Joint Ventures</i>	Clarify that an entity is able to choose between applying the equity method or measuring the investment at fair value for each investment in an associate or joint venture.	Matter not considered as part of the 2019 Improvements Project.  Refer to Table C item 10.

*Annual Improvements to IFRS Standards 2015 – 2017 Cycle*

Table G sets out amendments from the IASB's *Annual Improvements to IFRS Standards 2015 – 2017 Cycle* issued in December 2017.

**Table G: List of amendments from Annual Improvements to IFRS Standards 2015 – 2017 Cycle**

No.	Standard	Possible Amendment	Recommendation
1.	IFRS 3 <sup>®</sup> <i>Business Combinations</i>	Include additional guidance for applying the acquisition method to particular types of business combinations to clarify the accounting for a previously held interest in a joint operation when a party obtains control of the joint operation.	The Board agreed that the amendment is relevant as it relates to the amendment made to IFRS 11 on <i>Joint Arrangements</i> .  Refer to Table C item 13.
2.	IFRS 11 <sup>®</sup> <i>Joint Arrangements</i>	Clarify the accounting for a previously held interest in a joint operation when a party obtains joint control.	The Board agreed that the amendment is relevant.  Refer to Table C item 11.
3.	IAS 12 <sup>®</sup> <i>Income Taxes</i>	Clarify the income tax consequences of payments on financial instruments classified as equity.	Matter not considered as part of the 2019 Improvements Project.  The amendment is not relevant as there is no equivalent Standard of GRAP for IAS 12.
4.	IAS 23 <sup>®</sup> <i>Borrowing Costs</i>	Clarify the calculation of borrowing costs eligible for capitalisation for funds borrowed generally.	The Board agreed that the amendment is relevant.  Refer to Table C item 4.

**(b) Narrow-scope amendments to IFRS Standards**

Table H outlines narrow-scope amendments to IFRS Standards.

**Table H: List of amendments from the *Narrow-scope Amendments to IFRS Standards***

No.	Standard	Possible Amendment	Recommendation
1.	IFRS 2 <sup>®</sup> <i>Share-based Payment</i> (issued June 2016)	Additional guidance on accounting for a modification of a share-based payment transaction that changes its classification from cash-settled to equity-settled.	Matter not considered as part of the 2019 Improvements Project.  The amendment is not relevant as there is no equivalent Standard of GRAP for IFRS 2.
2.	IFRS 3 <sup>®</sup> <i>Business Combinations</i> (issued October 2018)	Clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.	Matter not considered as part of the 2019 Improvements Project.  The Board proposes in ED 171 <i>Identifying Projects to Prioritise on the ASB's Work Programme for the Period 1 April 2020 to 31 March 2023</i> to undertake a project to align the Standards of GRAP dealing with transfer of functions and mergers, with IPSAS 40. The amendments to IFRS 3 will be considered if the Board agrees to commence the project during 2020 to 2023.  If the Board agrees not to commence the project, consideration should be given to address the amendments as a separate project.
3.	IFRS 4 <sup>®</sup> <i>Insurance Contracts</i> (issued September 2016)	Amend IFRS 4 to provide an optional overlay approach that permits insurers to reclassify between profit or loss and other comprehensive income, the profit or loss for designated financial assets had IAS 39 <i>Financial Instruments</i> :	Matter not considered as part of the 2019 Improvements Project.  The amendment is not relevant as there is no equivalent Standard of GRAP for IFRS 4.

No.	Standard	Possible Amendment	Recommendation
		<i>Recognition and Measurement</i> been applied rather than IFRS 9 <i>Financial Instruments</i> . An optional temporary difference from IFRS 9 was also provided for insurers whose activities are predominantly connected with insurance.	
4.	IFRS 9 <sup>®</sup> <i>Financial Instruments</i> (issued October 2017)	Amend the classification requirements in IFRS 9 to clarify that particular financial assets with prepayment features that may result in reasonable negative compensation for the early termination of the contract, are eligible to be measured at amortised cost or at fair value through surplus of deficit.	Matter not considered as part of the 2019 Improvements Project. Refer to Table D item 1.
5.	IAS 7 <sup>®</sup> <i>Statement of Cash Flows</i> (issued January 2016)	Add disclosures to enable the users of financial statements to evaluate changes in liabilities arising from financing activities.	Matter not considered as part of the 2019 Improvements Project. Refer to Table C item 1.
6.	IAS 12 <sup>®</sup> <i>Income Taxes</i> (issued January 2016)	Clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	Matter not considered as part of the 2019 Improvements Project. The amendment is not relevant as there is no equivalent Standard of GRAP for IAS 12.
7.	IAS 28 <sup>®</sup> <i>Investments in Associates and Joint Ventures</i> (issued October 2017 and revised in November 2017)	Clarify that long-term interests in an associate and joint venture are within the scope of IFRS 9, including the impairment requirements.	Matter not considered as part of the 2019 Improvements Project. Refer to Table D item 1.
8.	IAS 40 <sup>®</sup> <i>Investment Property</i> (issued	Amend the requirements for the transfer of investment	The Board agreed that the amendment is relevant.



No.	Standard	Possible Amendment	Recommendation
	December 2016)	property to reflect that a change in use will involve an assessment of whether a property ceases to meet the definition of investment property, and that evidence for the change in use exists. The list of requirements in which a transfer occurs has been re-characterised as a list of non-exhaustive examples.	Refer to Table C item 5.