

EXECUTIVE SUMMARY – ED 152 IMPROVEMENTS TO THE STANDARDS OF GRAP 2016

<p><i>This Executive Summary outlines the key proposals in ED 152 –Improvements to the Standards of GRAP 2016.</i></p>	<p>Overview of the project</p>	<p>The Board issued ED 152 <i>Improvements to the Standards of GRAP 2016</i> in October 2016.</p> <p>The amendments proposed to the Standards of GRAP as part of the Improvements Project are aimed at maintaining the quality and enhancing the relevance of the Standards, and ensuring that the Standards are aligned with international best practice.</p> <p>The last improvements project was undertaken in 2013. In future, improvements to the Standards of GRAP will be made every three years. This decision is based on feedback received by the Board during its consultation on its work plan.</p>
	<p>Project objectives</p>	<p>The amendments proposed in ED 152 aim to clarify areas of the Standards where their application may have been unclear, and also to align the current Standards of GRAP to recent amendments published by the IPSASB as part of its improvements project, and by the IASB as part of its improvements project and narrow scope amendments.</p>
	<p>Next steps</p>	<p>The proposals in this ED will be modified in the final document in the light of comment received.</p>
	<p>Comment deadline</p>	<p>The comment deadline is 30 December 2016.</p>



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Background to the project

Identifying amendments within the scope of the project

The amendments that were considered for inclusion in the project were identified based on:

- Feedback received from stakeholders through workshops, seminars, meetings and other engagements.
- Amendments made by the IPSASB to the IPSASs through its 2014 and 2015 improvements projects.
- Amendments made by the IASB to the IFRSs in its 2010 to 2012, 2011 to 2013, 2012 to 2014 improvements projects, as well as narrow scope amendment projects.

An analysis of the amendments considered, along with the rationale for either including them in, or excluding them from, the project, is included in Annexure A of the Exposure Draft.

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Overview of ED 152	
Amendments to respond to issues raised by stakeholders	
<i>Exchanges of assets and how they should be measured</i>	<p>The Board proposed wording changes to GRAP 16 <i>Investment Property</i>, GRAP 17 <i>Property, Plant and Equipment</i>, and GRAP 103 <i>Heritage Assets</i> to clarify how assets should be measured in like-for-like exchanges.</p> <p>In principle, entities should measure assets acquired in exchange for another asset, using the fair value of either the asset received or the fair value of the asset given up. If fair value is not available, the asset is measured at the carrying value of the asset given up.</p>
<i>Treatment of transaction costs in a non-exchange transaction</i>	<p>When entities acquire assets in exchange transactions, it is clear whether transactions costs can be capitalised to the cost of the asset. For assets acquired in non-exchange transactions, it is unclear at present how transaction costs should be treated. For example, if an entity receives land in a non-exchange transaction but is required to pay the duties to transfer legal title of the land, it is unclear whether those costs should be capitalised or expensed.</p> <p>The Board has amended a number of Standards of GRAP to indicate that transactions costs incurred to acquire assets in a non-exchange transaction are treated in the same way as transaction costs incurred on assets acquired in exchange transactions. The Standards affected are GRAP 12 <i>Inventories</i>, GRAP 16, GRAP 17, GRAP 31 <i>Intangible Assets</i>, and GRAP 103.</p>
<i>Deletion of illustrative example in GRAP 18</i>	<p>When Standards of GRAP become effective, any illustrative examples included in the Appendices to the Standards are deleted and included in the GRAP Guides issued by the OAG. In line with this policy, the illustrative examples in GRAP 18 have been deleted.</p>

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Amendments to align with IPSASs	
<i>Clarifying adjustments made to carrying amounts of assets when the revaluation model is applied</i>	<p>Amendments have been proposed to GRAP 17 and GRAP 31 to clarify that when assets are revalued, the carrying amount of these assets is adjusted to the revalued amount at the date of revaluation, using one or of the following ways:</p> <p>The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.</p> <p>Alternatively, the accumulated depreciation is eliminated against the gross carrying amount of the asset.</p>
<i>Acceptable methods of depreciation and amortisation</i>	<p>Amendments have been made to GRAP 17 and GRAP 31 to clarify whether depreciation and amortisation methods based on revenue are acceptable.</p> <p>The proposals indicate that for property, plant and equipment, revenue based depreciation methods are inappropriate. This is because revenue does not reflect the consumption of the economic benefits or service potential of the asset.</p> <p>For intangible assets, there is a rebuttable presumption that a revenue based depreciation method is inappropriate, except in the following two instances:</p> <ul style="list-style-type: none"> • when the intangible asset is expressed as a measure of revenue, particularly when the main limiting factor inherent to the intangible asset is the achievement of a revenue threshold, or • when revenue and the consumption of the economic benefits or service potential are highly correlated.
<i>Treatment of bearer plants as property, plant and equipment</i>	<p>Amendments to GRAP 17 and GRAP 27 <i>Agriculture</i> propose a change in the accounting for bearer plants. Bearer plants, which are defined below, are classified at property, plant and equipment and measured using the cost model. Any produce arising from these plants is recognised and measured in accordance with GRAP 27.</p> <p>Bearer plants are defined as:</p> <p>A living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period, and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.</p>

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<p><i>Change in terminology and classification of military inventories and weapons systems</i></p>	<p>In GRAP 17, the term “specialist military equipment” has been replaced with the term “weapons systems”. Weapons systems include vehicles and other equipment, such as warships, submarines, military aircraft, tanks, missile carriers and launchers that are used continuously in the provision of defense services, even if their peacetime use is to provide deterrence against aggressors. Some “single use items” e.g. missiles, may also be classified as weapons systems.</p> <p>In GRAP 12, the term “ammunition” has been replaced with the term “military inventories”, which includes items such as ammunition, missiles, rockets and bombs delivered by weapons or weapons systems. Even though the term “military” is used, it does not mean that the classification cannot be applied by other entities such as those involved in public order, safety and policing.</p>
<p><i>Impairment of assets and ongoing differences in treatment with the IPSASB</i></p>	<p>The IPSASB previously excluded revalued assets from the scope of IPSAS 21 and IPSAS 26 on impairment of assets. The equivalent Standards of GRAP included revalued assets within their scope, primarily because revaluations are undertaken at a class of asset level, while impairment is assessed at an individual asset level.</p> <p>The IPSASB recently amended the IPSAS 21 and 26 to include revalued assets within their scope.</p> <p>While no specific amendments are required to the Standards of GRAP, one difference remains between the IPSASs and the Standards of GRAP, which is the treatment of reversals of impairment losses. The IPSASB allows reversals of impairment losses on an asset class, while the Standards of GRAP (in line with IFRSs), require reversals at an asset level. The Basis for Conclusions to GRAP 21 and GRAP 26 have been updated to reflect this remaining difference.</p>

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Amendments to align with IFRSs	
<p><i>Treatment of contingent consideration acquired in a transfer of functions not under common control</i></p>	<p>Amendments have been proposed to GRAP 104 <i>Financial Instruments</i> and GRAP 106 that indicate that when contingent consideration in a transfer of functions is:</p> <ul style="list-style-type: none"> • recognised as a financial instrument, it should be measured at fair value at every reporting date, with the changes in fair value recognised in surplus or deficit; or • if it is not within the scope GRAP 104, it should also be measured at fair value with changes in fair value recognised in surplus or deficit.
<p><i>Assessing whether the acquisition of investment property is the acquisition of an asset or a transfer of functions</i></p>	<p>An amendment has been proposed to GRAP 16 to require entities to assess whether the acquisition of an investment property is the acquisition of an asset or group of assets, or a transfer of functions. An entity assess whether the acquisition of an investment property is a transfer of functions by assessing the requirements in GRAP 105 on <i>Transfers of Functions Between Entities Under Common Control</i> and GRAP 106 <i>Transfers of Functions Not Under Common Control</i>.</p>

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Transitional arrangements	
Should the amendments be applied prospectively or retrospectively?	Specific transitional provisions are included for each type of amendment proposed in ED 152.
Effective date of amendments?	The effective date is proposed as 1 April 2018.

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