Responses due by 31 October 2017

ACCOUNTING STANDARDS BOARD

INVITATION TO COMMENT ON THE PROPOSED TRANSITIONAL PROVISIONS FOR THE INITIAL ADOPTION OF THE STANDARDS OF GENERALLY RECOGNISED ACCOUNTING PRACTICE ON

INTERESTS IN OTHER ENTITIES

(ED 157)

Issued by the
Accounting Standards Board

July 2017

Commenting on this Exposure Draft

The Accounting Standards Board (the Board) seeks comment on the Exposure Draft of the *Proposed Transitional Provisions on the Initial Adoption of the Standards of GRAP* that deal with *Interests in Other Entities*. These Standards include the Standards of GRAP on *Separate Financial Statements* (GRAP 34), *Consolidated Financial Statements* (GRAP 35), *Investments in Associates and Joint Ventures* (GRAP 36), *Joint Arrangements* (GRAP 37) and *Disclosure of Interests in Other Entities* (GRAP 38). Once approved by the Board, these transitional provisions will be included in Directives 2 to 4 and 8 containing the transitional provisions for entities required to apply Standards of GRAP, and will replace the existing transitional provisions.

The Board also seeks comment on the amendments to the transitional provisions for the definition of a binding arrangement.

The proposals in this Exposure Draft may be modified in the final documents in the light of comment received.

Comment should be submitted in writing so as to be received by **31 October 2017**. Email responses are preferred. Unless respondents to this Exposure Draft specifically request confidentiality, their comment is a matter of public record once the directives to the Standards of GRAP have been amended and issued. Comment should be addressed to:

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INTRODUCTION

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".

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

(a) public entities that meet the criteria outlined in Directive 12 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 of GRAP 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 of 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*.

Background and purpose of this Exposure Draft

At its March 2017 meeting, the Board approved the following five Standards of GRAP to replace the Standards of GRAP on *Consolidated and Separate Financial Statements* (GRAP 6), *Investments in Associates* (GRAP 7) and *Interests in Joint Ventures* (GRAP 8) and the Interpretations of the Standards of GRAP on *Consolidation – Special Purpose Entities* and *Jointly Controlled Entities – Non-monetary Contributions by Ventures*:

- The Standard of GRAP on *Separate Financial Statements* (GRAP 34)
- The Standard of GRAP on *Consolidated Financial Statements* (GRAP 35)
- The Standard of GRAP on *Investments in Associates and Joint Ventures* (GRAP 36)
- The Standard of GRAP on *Joint Arrangements* (GRAP 37)
- The Standard of GRAP on *Disclosure of Interests in Other Entities* (GRAP 38).

The Board, in consultation with the trilateral parties, proposes an effective date for these Standards of GRAP of 1 April 2019.

Development of transitional provisions for GRAP 34 to GRAP 38

Following the approval of these Standards of GRAP, the next step in the process is to develop transitional provisions for their initial adoption. In developing the proposed transitional provisions, the Board considered:

(a) existing requirements or current practice, and whether the requirements of GRAP 34 to GRAP 38 are likely to result in significant changes in current accounting; and

(b) any specific implementation issues raised during the public consultation process, including any system issues, guidance required on specific transactions, etc.

Entities currently apply GRAP 6 to GRAP 8 to account for investments in controlled entities, associates and joint ventures. Even though some of the fundamental requirements have been retained in GRAP 34 to GRAP 38, entities will be required to reassess the existence of control and joint control, as well as the nature and accounting of joint arrangements. Specific accounting guidance for the consolidation of a new category of entity, i.e. an investment entity, have also been introduced that will result in changes to current accounting. The equity method can now also be applied to account for interests in controlled entities, associates and joint ventures in an entity's separate financial statements.

As no specific implementation issues were noted by respondents to the Exposure Drafts on *Interests in Other Entities* (ED 144 to ED 148), the Board considered the transitional provisions in IPSAS 34 to IPSAS 38, IFRS 10 to IFRS 12, IAS 27 and IAS 28 in developing the proposed transitional provisions for the initial adoption of GRAP 34 to GRAP 38.

The proposed transitional provisions to be included in Directives to 2 to 4 and 8 for the initial adoption of GRAP 34 to GRAP 38 are included in Annexure A to this Exposure Draft.

Annexure B includes amendments to the Directives to repeal the existing transitional provisions for GRAP 6, GRAP 7 and GRAP 8.

Amendments to the transitional provisions on the definition of binding arrangement

As part of the development of GRAP 34 to GRAP 38, the Board agreed to standardise the use of the terms “binding”, “contractual”, “statutory, “legal” or equivalent terms across the suite of Standards of GRAP and developed a definition for “binding arrangement”.

A new definition of “binding arrangement”, along with the proposed transitional arrangements for this amendment, was included in ED 144 to ED 148. To address the comment received from respondents during the comment period, the Board agreed to review the transitional provisions for the definition of binding arrangement when developing the transitional provisions for GRAP 34 to GRAP 38.

The proposed amendments to the transitional provisions on the definition of a binding arrangement are set out in Annexure C to this Exposure Draft.

Due process and timetable

The Board invites comment on the proposals set out in this 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 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 pronouncement. Upon the closure of the comment period, the Board will consider the comment received on the Exposure Draft and may modify the proposed transitional provisions and consequential amendments to the Directives and the Standards of GRAP in the light of comment received before including them in the final documents.

Request for comment

Comment on this Exposure Draft is invited by **31 October 2017**. The Board requires that respondents express an overall opinion on whether the Exposure Draft is supported in general 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 reasoning, where appropriate.

The basis for accepting or rejecting significant comment will be published on the ASB's website.

ANNEXURE A – PROPOSED TRANSITIONAL PROVISIONS TO BE INCLUDED IN DIRECTIVES

A. Proposed Transitional Provisions for the Initial Adoption of the Standards of GRAP on *Interests in Other Entities* to be included in Directives 2 to 4 and 8

The transitional provisions for the initial adoption of the Standards of GRAP that deal with *Interests in Other Entities* are to be included in the following Directives, after the transitional provisions for GRAP 32:

- Directive 2 *Transitional Provisions for Public Entities, Trading Entities, Municipal Entities, 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 34 *Separate Financial Statements*

.01 ***All changes resulting from the application of the Standard of GRAP on Separate Financial Statements (GRAP 34) shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3), except as specified in paragraphs .03 to .10.***

.02 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

Equity method

.03 ***In accordance with paragraph .10 of GRAP 34, an entity may elect to use the equity method as described in the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36), to account for investments in its separate financial statements. All changes resulting from the application of the equity method shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Polices, Changes in Accounting Estimates and Errors (GRAP 3).***

.04 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

Controlling entity that is an investment entity

.05 On the initial adoption of GRAP 34, an investment entity that previously measured its investment in a controlled entity at cost shall instead measure that investment at fair value in accordance with the Standard of GRAP on Financial Instruments (GRAP 104) as if the requirements of GRAP 34 had always been effective. The investment entity shall, in accordance with GRAP 3, retrospectively adjust the opening balance of accumulated surplus or deficit for the earliest period presented and adjust other comparative amounts disclosed for each period presented. The adjustment to the accumulated surplus or deficit shall be the difference between:

(a) the previous carrying amount of the investment; and

(b) the fair value of the controlling entity's investment in the controlled entity.

.06 On the initial adoption of GRAP 34, an investment entity that previously measured its investment in a controlled entity at fair value, shall continue to measure that investment at fair value in accordance with GRAP 104.

.07 An investment entity shall not make adjustments to the previous accounting for its investment in a controlled entity that it had previously elected to measure at fair value in accordance with GRAP 104, as permitted in paragraph .10 of GRAP 34.

.08 If measuring the investment in the controlled entity in accordance with paragraphs .05 to .07 is impracticable (as defined in GRAP 3), an investment entity shall apply the requirements of GRAP 34 at the beginning of the earliest period for which application of paragraphs .05 to .07 is practicable, which may be the current period. The investment entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. When the date that it is practicable for the investment entity to measure the fair value of its investment in a controlled entity is earlier than the annual period immediately preceding the date of initial adoption, the investment entity shall adjust accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption for any difference between:

(a) the previous carrying amount of the investment in the controlled entity; and

(b) the fair value of the investment entity's investment in the controlled entity.

If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to accumulated surplus or deficit shall be recognised at the beginning of the current period.

.09 ***If an investment entity has disposed of, or lost control of its investment in a controlled entity before the adoption of GRAP 34, the investment entity is not required to make adjustments to the previous accounting for that investment.***

.***10 The transitional provisions for changes in the accounting, in an entity's separate financial statements, for its interest in a joint operation are set out in the Standard of GRAP on Joint Arrangements.***

GRAP 35 *Consolidated Financial Statements*

.11 All changes resulting from the application of the Standard of GRAP on Consolidated Financial Statements (GRAP 35) shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Polices, Changes in Accounting Estimates and Errors (GRAP 3), except as specified in paragraphs .13 to .23.

.12 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

.13 Notwithstanding the requirements of paragraph .30 of GRAP 3, when GRAP 35 is first applied an entity need only present the quantitative information required by paragraph .30(f) of GRAP 3 for the annual period immediately preceding the date of the initial adoption of GRAP 35. An entity may also present this information for the current period or for the comparative period, but is not required to do so.

.14 On the initial adoption of GRAP 35, an entity is not required to make adjustments to the previous accounting for its involvement with either:

(a) entities that would be consolidated at that date in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements (GRAP 6), and the Interpretation of the Standards of GRAP on

***Consolidation – Special Purpose Entities* (IGRAP 11), and are still consolidated in accordance with GRAP 35; or**

***(b)* entities that would not be consolidated at that date in accordance with GRAP 6 and IGRAP 11, and are not consolidated in accordance with GRAP 35.**

***.15* On the initial adoption of GRAP 35, an entity shall assess whether it is an investment entity on the basis of the facts and circumstances that exist at that date. If, at the date of initial adoption, an entity concludes that it is an investment entity, it shall apply the requirements of paragraphs .16 to .18 instead of paragraphs .22 and .23.**

***.16* Except for a controlled entity that is consolidated in accordance with paragraph .58 of GRAP 35 (to which paragraph .14 or paragraphs .22 and .23 apply, whichever is relevant), an investment entity shall measure its investment in each controlled entity at fair value as if the requirements of GRAP 35 had always been effective. The investment entity shall, in accordance with GRAP 3, retrospectively adjust the opening balance of accumulated surplus or deficit for the earliest period presented and adjust other comparative amounts disclosed for each period presented. The adjustment to the accumulated surplus or deficit shall be the difference between:**

***(a)* the previous carrying amount of the investment in the controlled entity; and**

***(b)* the fair value of the controlling entity's investment in the controlled entity.**

***.17* If measuring an investment in a controlled entity in accordance with paragraph .16 is impracticable (as defined in GRAP 3), an investment entity shall apply the requirements of GRAP 35 at the beginning of the earliest period for which application of paragraph .16 is practicable, which may be the current period. The investment entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. If this is the case, the adjustment to accumulated surplus or deficit shall be recognised at the beginning of the current period.**

.18 ***If an investment entity has disposed of, or has lost control of, an investment in a controlled entity before the date of initial adoption of GRAP 35, the investment entity is not required to make adjustments to the previous accounting for that investment.***

.19 ***If an entity concludes on initial adoption of GRAP 35 that it shall consolidate another entity that was not consolidated in accordance with GRAP 6 or IGRAP 11, the entity shall:***

(a) if the entity is a function (as defined in the Standards of GRAP on Transfer of Functions Between Entities Under Common Control (GRAP 105) or Transfer of Functions Between Entities Not Under Common Control (GRAP 106)), measure the assets, liabilities and non-controlling interests in that previously unconsolidated entity as if that other entity had been consolidated (and thus had applied the accounting requirements in GRAP 105 or GRAP 106) from the date when the entity obtained control of that other entity on the basis of the requirements of GRAP 35. The entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption. When the date that control was obtained is earlier than the annual period immediately preceding the date of initial adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:

(i) the amount of assets, liabilities and non-controlling interests recognised; and

(ii) the previous carrying amount of the entity's involvement with the other entity; or

(b) if the entity is not a function (as defined in GRAP 105 or GRAP 106), measure the assets, liabilities and non-controlling interests in that previously unconsolidated entity as if that other entity had been consolidated (applying the accounting as required in GRAP 106 but without recognising the excess of the purchase consideration paid over the net assets) from the date when the entity obtained control of that other entity on the basis of the requirements of GRAP 35. The entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption. When the date that control was obtained is earlier than the annual period immediately preceding the date of initial

adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:

(i) the amount of assets, liabilities and non-controlling interests recognised; and

(ii) the previous carrying amount of the entity's involvement with the other entity.

.20 If measuring a controlled entity's assets, liabilities and non-controlling interests in accordance with paragraph .19(a) or (b) is impracticable (as defined in GRAP 3), an entity shall:

(a) if the entity is a function, apply the requirements in GRAP 105 or GRAP 106 to measure the assets, liabilities and non-controlling interests in that previously unconsolidated entity as if that entity had been consolidated from the deemed acquisition date. The deemed acquisition date shall be the beginning of the earliest period for which the application of this paragraph is practicable, which may be the current period; or

(b) if the entity is not a function, apply the requirements in GRAP 105 and GRAP 106 to measure the assets, liabilities and non-controlling interests in that previously unconsolidated entity as if that entity had been consolidated from the deemed acquisition date, but without recognising the excess of the purchase consideration paid over the net assets in the case of GRAP 106. The deemed acquisition date shall be the beginning of the earliest period for which the application of this paragraph is practicable, which may be the current period.

.21 The entity shall adjust retrospectively the annual period immediately preceding the date of initial adoption, unless the beginning of the earliest period for which the application of this paragraph is practicable is the current period. When the deemed acquisition date is earlier than the annual period immediately preceding the date of initial adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:

(a) the amount of assets, liabilities and non-controlling interests recognised; and

(b) the previous carrying amounts of the entity's involvement with the other entity.

If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to accumulated surplus or deficit shall be recognised at the beginning of the current period.

.22 ***If an entity concludes on initial adoption of GRAP 35 that it will no longer consolidate an entity that was consolidated in accordance with GRAP 6 or IGRAP 11, the entity shall measure its interest in the other entity at the amount at which it would have been measured if the requirements of GRAP 35 had been effective when the entity became involved with, or lost control of, the other entity. The entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption. When the date that the entity became involved with (but did not obtain control in accordance with GRAP 35), or lost control of, the other entity is earlier than the annual period immediately preceding the date of initial adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:***

(a) the previous carrying amount of the assets, liabilities and non-controlling interests; and

(b) the recognised amount of the entity's interest in the other entity.

.23 ***If measuring the interest in the other entity in accordance with paragraph .22 is impracticable (as defined in GRAP 3), an entity shall apply the requirements of GRAP 35 at the beginning of the earliest period for which application of paragraph .22 is practicable, which may be the current period. The entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. When the date that the entity became involved with (but did not obtain control in accordance with GRAP 35), or lost control of, the other entity is earlier than the annual period immediately preceding the date of initial adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:***

(a) the previous carrying amount of the assets, liabilities and non-controlling interests; and

(b) the recognised amount of the entity's interest in the other entity.

If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to accumulated surplus or deficit shall be recognised at the beginning of the current period.

GRAP 36 *Investments in Associates and Joint Ventures*

.24 The transitional provisions for changing from proportionate consolidation to the equity method, or from the equity method to accounting for assets and liabilities in respect of a joint operation are set out in the Standard of GRAP on Joint Arrangements.

GRAP 37 *Joint Arrangements*

.25 Notwithstanding the requirements of paragraph .30 of the Standard of GRAP on Accounting Polices, Changes in Accounting Estimates and Errors (GRAP 3), when the Standard of GRAP on Joint Arrangements (GRAP 37) is first applied an entity need only present the quantitative information required by paragraph .30(f) of GRAP 3 for the annual period immediately preceding the date of the initial adoption of GRAP 37. An entity may also present this information for the current period or for the comparative period, but is not required to do so.

Joint Ventures – Transition from proportionate consolidation to the equity method

.26 When changing from proportionate consolidation to the equity method, an entity shall recognise its investment in the joint venture for the annual period immediately preceding the date of initial adoption. That initial investment shall be measured as the aggregate of the carrying amounts of the assets and liabilities that the entity had previously proportionately consolidated.

.27 The opening balance of the investment determined in accordance with paragraph .26 is regarded as the deemed cost of the investment at initial recognition. An entity shall apply paragraphs .41 to .46 of the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36) to the opening balance of the investment to assess whether the investment is impaired and shall recognise any impairment loss as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption.

.28 The initial recognition exception in paragraph .15 and .24 of the International Accounting Standard on Income Taxes (IAS 12) does not apply when the

entity recognises an investment in a joint venture resulting from applying the transitional requirements for joint ventures that had previously been proportionately consolidated.

.29 If aggregating all previously proportionately consolidated assets and liabilities results in negative net assets, an entity shall assess whether it has legal or constructive obligations in relation to the negative net assets and, if so, the entity shall recognise the corresponding liability. If the entity concludes that it does not have legal or constructive obligations in relation to the negative net assets, it shall not recognise the corresponding liability but it shall adjust accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption. The entity shall disclose this fact, along with its cumulative unrecognised share of losses of its joint ventures for the annual period immediately preceding the date of initial adoption and at the date at which GRAP 37 is first applied.

.30 An entity shall disclose a breakdown of the assets and liabilities that have been aggregated into the single line investment balance for the annual period immediately preceding the date of initial adoption. That disclosure shall be prepared in an aggregated manner for all joint ventures for which an entity applies the transition requirements referred to in paragraphs .26 to .31.

.31 After initial recognition, an entity shall account for its investment in the joint venture using the equity method in accordance with GRAP 36.

Joint Operations – Transition from the equity method to accounting for assets and liabilities

.32 When changing from the equity method to account for assets and liabilities in respect of its interest in a joint operation, an entity shall, for the annual period immediately preceding the date of initial adoption, derecognise the investment that was previously accounted for using the equity method and any other items that formed part of the entity's net investment in the arrangement in accordance with paragraph .39 of GRAP 36 and recognise its share of each of the assets and the liabilities in respect of its interest in the joint operation.

.33 An entity shall determine its interest in the assets and liabilities relating to the joint operation on the basis of its rights and obligations in a specified proportion in accordance with the binding arrangement. An entity measures the initial carrying amounts of the assets and liabilities by disaggregating

them from the carrying amount of the investment for the annual period immediately preceding the date of initial adoption on the basis of the information used by the entity in applying the equity method.

.34 ***Any difference arising from the investment previously accounted for using the equity method together with any other items that formed part of the entity's net investment in the arrangement in accordance with paragraph .36 of GRAP 36 and the net amount of the assets and liabilities recognised shall be adjusted against accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, if the net amount of the assets and liabilities recognised is higher, or lower, than the investment (and any other items that formed part of the entity's net investment) derecognised.***

.35 ***An entity changing from the equity method to account for assets and liabilities shall provide a reconciliation between the investment derecognised, and the assets and liabilities recognised, together with any remaining difference adjusted against accumulated surplus or deficit, for the annual period immediately preceding the date of initial adoption.***

.36 ***The initial recognition exception in paragraphs .15 and .24 of IAS 12 does not apply when the entity recognises assets and liabilities relating to its interest in a joint operation.***

Accounting for acquisitions of interests in joint operations

.37 ***An entity shall prospectively apply the requirements in paragraph .23 of GRAP 37 when it acquires an interest in a joint operation in which the activity of the joint operation constitutes a function as defined in GRAP 105 or GRAP 106. Amounts recognised for acquisitions of interests in joint operations occurring in prior periods shall not be adjusted.***

Transitional provisions in an entity's separate financial statements

.38 ***An entity that previously accounted for an investment in a joint operation in its separate financial statements in accordance with GRAP 104, as required by paragraph .59 of GRAP 6, shall:***

- *(a)* ***derecognise the investment and recognise the assets and the liabilities in respect of its interest in the joint operation at the amounts determined in accordance with paragraphs .31 to .35; and***
- *(b)* ***provide a reconciliation between the investment derecognised, and the assets and liabilities recognised, together with any remaining difference***

adjusted in accumulated surplus or deficit, for the annual period immediately preceding the date of initial adoption.

.39 The initial recognition exception in paragraphs .15 and .24 of IAS 12 does not apply when the entity recognises assets and liabilities relating to its interest in a joint operation in its separate financial statements resulting from applying the transitional requirements for joint operations in paragraph .38.

ANNEXURE B – OTHER AMENDMENTS TO THE DIRECTIVES

B. Proposed amendments to the Directives as a result of the withdrawal of GRAP 6 to GRAP 8

Amended text is shown as underlined text and deleted text is struck rough.

Directive 2 Transitional Provisions for Public Entities, Trading Entities, Municipal Entities, Further Education and Training Colleges and Constitutional Institutions

B1. In Directive 2 *Transitional Provisions for Public Entities, Trading Entities, Municipal Entities, Further Education and Training Colleges and Constitutional Institutions* paragraphs .18 to .23 are deleted as follow:

~~**GRAP 6** ***Consolidated and Separate Financial Statements***~~

~~**Transitional provisions**~~

~~***.18 All changes resulting from the application of the Standard of GRAP on Consolidated and Separate Financial Statements shall be accounted for in accordance with the requirements of GRAP 3.***~~

~~.19 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.~~

~~**GRAP 7** ***Investments in Associates***~~

~~**Transitional provisions**~~

~~***.20 All changes resulting from the application of the Standard of GRAP on Investments in Associates shall be accounted for in accordance with the requirements of GRAP 3.***~~

~~.21 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.~~

~~**GRAP 8 *Interests in Joint Ventures***~~

~~**Transitional provisions**~~

~~***.22 All changes resulting from the application of the Standard of GRAP on Interests in Joint Ventures shall be accounted for in accordance with the requirements of GRAP 3.***~~

~~.23 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.~~

Directive 3 Transitional Provisions for High Capacity Municipalities

B2. In Directive 3 *Transitional Provisions for High Capacity Municipalities* paragraphs .17 to .31 are deleted as follow:

~~**GRAP 6 *Consolidated and Separate Financial Statements***~~

~~**Transitional provisions**~~

~~***Separate financial statements***~~

~~***.17 An entity shall apply the requirements of the Standard of GRAP on Consolidated and Separate Financial Statements (GRAP 6) relating to separate financial statements in accordance with GRAP 3.***~~

~~.18 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.~~

~~***Consolidated financial statements***~~

~~***.19 Adjustments required to an economic entity's financial position and financial performance as a result of initially adopting GRAP 6, shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.***~~

~~***.20 On initial adoption of GRAP 6, comparative information need not be restated for the economic entity.***~~

~~.21 The effect of a transaction or event that gives rise to an entity being required to prepare consolidated financial statements should be determined at the date that control first exists. Any adjustments required to previous carrying amounts of assets, liabilities or net assets are recognised as an adjustment~~

~~to the opening balance of accumulated surpluses and deficits in the period that GRAP 6 is adopted.~~

~~GRAP 7 *Investments in Associates*~~

~~Transitional provisions~~

~~Separate financial statements~~

~~.22 An investor shall apply the requirements of the Standard of GRAP on Investments in Associates (GRAP 7) relating to separate financial statements in accordance with GRAP 3.~~

~~.23 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.~~

~~Financial statements in which the equity method is applied~~

~~.24 On initial adoption of GRAP 7, any adjustments required to an investor's financial position and financial performance as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.~~

~~.25 On initial adoption of GRAP 7, comparative information need not be restated for those financial statements in which the equity method is applied.~~

~~.26 The effect of a transaction or event that gives rise to an entity being required to apply the provisions of GRAP 7, should be determined at the date that significant influence first exists. Any adjustments required to previous carrying amounts of assets, liabilities or net assets are recognised as an adjustment to the opening balance of accumulated surpluses and deficits in the period that GRAP 7 is adopted.~~

~~GRAP 8 *Interests in Joint Ventures*~~

~~Transitional provisions~~

~~Separate financial statements~~

~~.27 A venturer shall apply the requirements of the Standard of GRAP on Interests in Joint Ventures (GRAP 8) relating to separate financial statements in accordance with GRAP 3.~~

~~.28 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.~~

~~***Financial statements in which the equity method or proportionate consolidation is applied***~~

~~***.29 On initial adoption of GRAP 8, adjustments required to a venturer's financial position and financial performance as a result of initially applying the equity method or proportionate consolidation, shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.***~~

~~***.30 On initial adoption of GRAP 8, comparative information need not be restated for those financial statements in which the equity method or proportionate consolidation is applied.***~~

~~.31 The effect of a transaction or event that gives rise to an entity being required to apply the provisions of GRAP 8, should be determined at the date that joint control first exists. Any adjustments required to previous carrying amounts of assets, liabilities or net assets are recognised as an adjustment to the opening balance of accumulated surpluses and deficits in the period that GRAP 8 is adopted.~~

Directive 4 Transitional Provisions for Medium and Low Capacity Municipalities and Trading Entities

B3. In Directive 4 *Transitional Provisions for Medium and Low Capacity Municipalities and Trading Entities* paragraphs .17 to .31 are deleted as follow:

~~**GRAP 6 *Consolidated and Separate Financial Statements***~~

~~**Transitional provisions**~~

~~***Separate financial statements***~~

~~***.17 An entity shall apply the requirements of the Standard of GRAP on Consolidated and Separate Financial Statements (GRAP 6) relating to separate financial statements in accordance with GRAP 3.***~~

~~.18 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.~~

~~***Consolidated financial statements***~~

~~***.19 Adjustments required to an economic entity's financial position and financial performance as a result of initially adopting GRAP 6, shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.***~~

~~***.20 On initial adoption of GRAP 6, comparative information need not be restated for the economic entity.***~~

~~.21 The effect of a transaction or event that gives rise to an entity being required to prepare consolidated financial statements should be determined at the date that control first exists. Any adjustments required to previous carrying amounts of assets, liabilities or net assets are recognised as an adjustment to the opening balance of accumulated surpluses and deficits in the period that GRAP 6 is adopted.~~

~~**GRAP 7 *Investments in Associates***~~

~~**Transitional provisions**~~

~~***Separate financial statements***~~

~~***.22 An investor shall apply the requirements of the Standard of GRAP on Investments in Associates (GRAP 7) relating to separate financial statements in accordance with GRAP 3.***~~

~~.23 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.~~

~~***Financial statements in which the equity method is applied***~~

~~***.24 On initial adoption of GRAP 7, any adjustments required to an investor's financial position and financial performance as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.***~~

~~***.25 On initial adoption of GRAP 7, comparative information need not be restated for those financial statements in which the equity method is applied.***~~

~~.26 The effect of a transaction or event that gives rise to an entity being required to apply the provisions of GRAP 7, should be determined at the date that significant influence first exists. Any adjustments required to~~

~~previous carrying amounts of assets, liabilities or net assets are recognised as an adjustment to the opening balance of accumulated surpluses and deficits in the period that GRAP 7 is adopted.~~

~~**GRAP 8 *Interests in Joint Ventures***~~

~~**Transitional provisions**~~

~~***Separate financial statements***~~

~~***.27 A venturer shall apply the requirements of the Standard of GRAP on Interests in Joint Ventures (GRAP 8) relating to separate financial statements in accordance with GRAP 3.***~~

~~.28 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.~~

~~***Financial statements in which the equity method or proportionate consolidation is applied***~~

~~***.29 On initial adoption of GRAP 8, adjustments required to a venturer's financial position and financial performance as a result of initially applying the equity method or proportionate consolidation, shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.***~~

~~***.30 On initial adoption of GRAP 8, comparative information need not be restated for those financial statements in which the equity method or proportionate consolidation is applied.***~~

~~.31 The effect of a transaction or event that gives rise to an entity being required to apply the provisions of GRAP 8, should be determined at the date that joint control first exists. Any adjustments required to previous carrying amounts of assets, liabilities or net assets are recognised as an adjustment to the opening balance of accumulated surpluses and deficits in the period that GRAP 8 is adopted.~~

Directive 7 The Application of Deemed Cost

B4. In Directive 7 *The Application of Deemed Cost* paragraphs .12, .13 and A7. are amended as follow:

Use of deemed cost for investments in controlled entities, jointly controlled entities and associates

.12 When an entity prepares separate financial statements, the Standard of GRAP on *Separate Financial Statements* (GRAP 34) ~~*Consolidated and Separate Financial Statements* (GRAP 6)~~ requires it to account for its investments in controlled entities, jointly controlled entities and associates either:

(a) at cost; ~~or~~

(b) in accordance with the Standard of GRAP on *Financial Instruments* (GRAP 104); or

(c) using the equity method as described in the Standard of GRAP on *Investments in Associates and Joint Ventures*.

.13 If an entity measures such an investment at cost in accordance with paragraph .12, it shall measure that investment at one of the following amounts in its first separate statement of financial position prepared using Standards of GRAP:

(a) cost or the equity method determined in accordance with GRAP 34 ~~GRAP 6~~; ~~or~~

(b) deemed cost if information about the cost or the equity method of the investment is not available. The deemed cost of such an investment shall be its fair value (determined in accordance with GRAP 104) at the measurement date.

Appendix

Use of deemed cost for investments in controlled entities, jointly controlled entities and associates

A7. An entity may elect to use cost or the equity method in its separate financial statements for an investment in a controlled entity, jointly controlled entity or associate. Where information about the cost or the equity method of the investment is not available, an entity uses a deemed cost. Deemed cost is the fair value of the investment at the date an entity adopts the Standards of GRAP on the transfer date or the merger date, and is determined using GRAP 104.

ANNEXURE C – AMENDMENTS TO OTHER STANDARDS OF GRAP

C. Proposed amendments to other Standards of GRAP in relation to the transitional provisions proposed in amending the definition of binding arrangement as included in the Standard of GRAP on *Consolidated Financial Statements*

Amended text is shown as underlined text and deleted text is struck through.

The Standard of GRAP on *Construction Contracts* (GRAP 11)

C1. In the Standard of GRAP on *Construction Contracts*, paragraph .65A is amended, as follows:

Transitional provisions

Amendments to Standards of GRAP

~~.78A~~ .65A ***Paragraph .08 was amended, paragraph .12 deleted and paragraph .08A added by the Standard of GRAP on Consolidated Financial Statements issued on DDMMYYY. An entity shall apply these amendments prospectively to binding arrangements that exist on DDMMYYY ~~retrospectively for annual financial periods beginning on or after DDMMYYY~~. If an entity elects to apply these amendments earlier, it shall disclose this fact.***

The Standard of GRAP on *Intangible Assets* (GRAP 31)

C2. In the Standard of GRAP on *Intangible Assets*, paragraph .132A is amended, as follows:

~~.130A~~ .132A ***The following paragraphs were amended by the Standard of GRAP on Consolidated Financial Statements issued on DDMMYYY and shall be applied as follow:***

(a) paragraph .04 shall be applied retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors; and

(b) paragraphs ~~.04,~~ .11, 14, .40, .44, .94 and .96 that are amended,

paragraph~~s~~ .11A ~~and .130A~~ that is ~~are~~ added and paragraph .15 that is deleted ~~by the Standard of GRAP on Consolidated Financial Statements issued on DDMMYYY. An entity~~ shall be applied prospectively to binding arrangements that exist on DDMMYYY ~~apply these amendments retrospectively for annual financial periods beginning on or after DDMMYYY~~. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standard of GRAP on *Transfer of Functions Between Entities Under Common Control* (GRAP 105)

C3. In the Standard of GRAP on *Transfer of Functions Between Entities Under Common Control,* paragraph .64A is amended as follows:

.64A Paragraphs .09 and .17 were amended and paragraph .09A was added by the Standard of GRAP on Consolidated Financial Statements issued on DDMMYYY. An entity shall apply these amendments prospectively to binding arrangements that exist on DDMMYYY ~~retrospectively for annual financial periods beginning on or after DDMMYYY~~. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control* (GRAP 106)

C4. In the Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control,* paragraph .98A is amended, and paragraph .98B added as follows:

~~.97B~~ .98A Paragraph~~s~~ ~~.10, .25 and~~ .89 was ~~were~~ amended ~~and paragraph .10A was added~~ by the Standard of GRAP on Consolidated Financial Statements issued on DDMMYYY. An entity shall apply these amendments retrospectively for annual financial periods beginning on or after DDMMYYY. If an entity elects to apply these amendments earlier, it shall disclose this fact.

~~.97C~~ .98A Paragraphs .10 and .25 were amended and paragraph .10A was added by the Standard of GRAP on Consolidated Financial Statements issued on DDMMYYY. An entity shall apply these

amendments prospectively to binding arrangements that exist on DDMMYYY. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standard of GRAP on *Mergers* (GRAP 107)

C5. In the Standard of GRAP on *Mergers,* paragraph.50A is amended as follows:

.50A Paragraphs .06 and .10 were amended and paragraph .06A was added by the Standard of GRAP on Consolidated Financial Statements issued on DDMMYYY. An entity shall apply these amendments prospectively to binding arrangements that exist on DDMMYYY ~~retrospectively for annual financial periods beginning on or after DDMMYYY~~. If an entity elects to apply these amendments earlier, it shall disclose this fact.