Appendix B - Consequential amendments to Standards of GRAP

The purpose of this appendix is to identify the consequential amendments to other Standards of GRAP resulting from the issue of this Standard.

Amended text is shown with new text underlined and deleted text struck through.

B1. GRAP 1 *Presentation of Financial Statements*

Amend, or insert into, the following paragraphs in GRAP 1:

Definitions

<u>Net assets</u> are the residual interest in the assets of the entity after deducting all its liabilities.

…

Insert the following heading and paragraph after .07:

<u>Net assets</u>

<u>.07A The components of net assets include:</u>

- <u>(a) changes in revaluation surplus (see GRAP 17 *Property, Plant and Equipment* and GRAP 31 *Intangible Assets*);</u>
- <u>(b) gains and losses arising from translating the financial statements of a foreign operation (see GRAP 4 *The Effects of Changes in Foreign Exchange Rates*); and</u>
- <u>(c) for particular liabilities designated as at fair value through surplus or deficit, the amount of the change in fair value that is attributable to changes in the liability's credit risk (see paragraph 5.42 of GRAP 104).</u>

Statement of financial position

…

Current assets

.70 The operating cycle of an entity is the time taken to convert inputs or resources into outputs. For instance, governments transfer resources to entities so that they can convert those resources into goods and services, or outputs, to meet the government's desired social, political and economic outcomes. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months. Current assets include assets (such as taxes receivable, user charges receivable, fines and regulatory fees receivable, inventories and accrued investment revenue) that are either realised, consumed or sold, as part of the normal operating cycle even when they are not expected to be realised within twelve months of the reporting date. Current assets also include assets primarily held for ~~the purpose of being traded~~ trading, for example, some financial assets that meet the definition of held for trading in GRAP 104 ~~provides guidance on the classification of financial assets),~~ and the current portion of non-current financial assets.

…

Current liabilities

.73 Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting date or held primarily for the purpose of being traded. Examples are some financial liabilities that meet the definition ~~classified as~~ of held for trading in ~~(~~GRAP 104 ~~provides guidance on the classification of financial liabilities)~~, bank overdrafts, and the current portion of non-current financial liabilities, dividends or similar distributions payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (i.e. are not part of the working capital used in the entity's normal operating cycle), and are not due for settlement within twelve months after the reporting date, are non-current liabilities, subject to paragraphs .76 and .77.

…

Statement of financial performance

Information to be presented on the face of the statement of financial performance

…

.96 As a minimum, the face of the statement of financial performance shall include line items that present the following amounts for the period:

(a) ***revenue, presenting separately:***

(i) interest revenue calculated using the effective interest method; and

(ii) gains and losses arising from the derecognition of financial assets measured at amortised cost;

(b) ***finance costs;***

(b)(a) impairment losses (including reversals of impairment losses and impairment gains) determined in accordance with paragraphs 5.17 to 5.35 of GRAP 104;

(c) share of the surpluses or deficits of associates and joint ventures accounted for using the equity method;

(c)(a) if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through surplus or deficit, any gain or loss arising from the difference between the previous

<u>***amortised cost of the financial asset and its fair value at the reclassification sate (as defined in GRAP 104);***</u>

(d) ***tax expense (where applicable);***

(e) ***a single amount comprising:***

(i) ***the post-tax surplus or deficit of discontinued operations and***

(ii) ***the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and***

(f) ***surplus or deficit.***

Statement of changes in net assets

Insert the following paragraphs after paragraph 120:

<u>.120A Other Standards of GRAP specify whether and when amounts previously recognised in net assets are reclassified to surplus or deficit. Such reclassifications are referred to in this Standard as reclassification adjustments. A reclassification adjustment is included with the related component of net assets in the period that the adjustment is reclassified to surplus or deficit. These amounts may have been recognised in net assets as unrealised gains in the current or previous periods. Those unrealised gains must be deducted from net assets in the period in which the realised gains are reclassified to surplus or deficit to avoid including them in the statement of changes in net assets twice.</u>

<u>.120B. Reclassification adjustments arise, for example, on disposal of a foreign operation (see GRAP 4).</u>

<u>.120C. Reclassification adjustments do not arise on changes in revaluation surplus recognised in accordance with GRAP 17 or GRAP 31. These components are recognised in net assets and are not reclassified to surplus or deficit in subsequent periods. Changes in revaluation surplus may be transferred to accumulated surpluses or deficits in subsequent periods as the asset is used or when it is derecognised (see GRAP 17 or GRAP 31).</u>

…

Notes

…

Disclosure of accounting policies

.133 In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts of items recognised in the financial statements. For example, management makes judgements in determining:

(a) whether assets are investment properties;

(b) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;

(c) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; ~~and~~

(d) whether the substance of the relationship between the entity and a special purpose entity indicates that the special purpose entity is controlled by the entity~~.~~; and

(e) whether the contractual terms of a financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding.

…

Transitional provisions

Amendments to the Standards of GRAP

…

Insert the following paragraph after paragraph .148:

.148A Paragraphs .07A, .70, .73, .96, .120A to .120C, .133 were amended by the revision of GRAP 104 Financial Instruments issued in Month Year. These amendments are effective for annual periods beginning on or after Day Month Year. An entity shall apply these amendments retrospectively.

B2. GRAP 9 *Revenue from Exchange Transactions*

Amend the following paragraphs in GRAP 9:

Scope

.11 This Standard does not deal with revenues arising from:

…

(c) insurance contracts within the scope of the International Financial Reporting Standard(s)(IFRS® Standards) on insurance ~~*Insurance Contracts*~~*;*

…

Appendix

A8. Financial service fees

The recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instrument. The description of fees for financial services may not be indicative of the nature and substance of the services provided. Therefore, it is necessary to distinguish between fees that are an integral part of the effective yield of a financial instrument, fees that are earned as services are provided, and fees that are earned on the execution of a significant act.

(a) *Fees that are an integral part of the effective interest rate of a financial instrument*

Such fees are generally treated as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value with the change in fair value recognised in surplus or deficit, the fees are recognised as revenue when the instrument is initially recognised.

~~*(i)* *Origination fees received by the entity relating to the creation or acquisition of a financial asset other than one where changes in fair value are recognised in surplus or deficit*~~

~~Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction. These fees are an integral part of generating an involvement with the resulting financial instrument and, together with the related transaction costs (as defined in GRAP 104), are deferred and recognised as an adjustment to the effective interest rate.~~

~~*(ii)*~~*(i)* *Commitment fees received by the entity to originate a loan*

If it is probable that the entity will enter into a specific lending arrangement and the ~~(~~loan commitment~~)~~ is not within the scope of GRAP 104~~. T~~the commitment fee received is regarded as compensation for an ongoing involvement with the acquisition of a financial instrument and, together with the related transaction costs (as defined in GRAP 104), is deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the entity making the loan, the fee is recognised as revenue on expiry. Loan commitments that are within the scope of GRAP 104 are accounted for as derivatives and measured at fair value.

~~(iii)~~(ii) *Origination fees received on issuing financial liabilities measured at amortised cost*

These fees are an integral part of generating an involvement with a financial liability. When a financial liability is not classified a "at fair value through surplus or deficit" ~~subsequently measured at amortised cost~~, the origination fees received are included, with the related transaction costs (as defined in GRAP 104) incurred, in the initial carrying amount of the financial liability and recognised as an adjustment to the effective interest rate. An entity distinguishes fees and costs that are an integral part of the effective interest rate for the financial liability from origination fees and transaction costs relating to the right to provide services, such as investment management services.

(b) *Fees earned as services are provided*

(i) *Fees charged for servicing a loan*

Fees charged by an entity for servicing a loan are recognised as revenue as the services are provided.

(ii) *Commitment fees to originate a loan commitment that is outside the scope of GRAP 104*

If it is unlikely that a specific lending arrangement will be entered into and the loan commitment is outside GRAP 104, the commitment fee is recognised as revenue on a time proportion basis over the commitment period. Loan commitments that are within the scope of GRAP 104 are accounted for as derivatives at fair value.

…

B3. GRAP 14 *Events After the Reporting Date*

Amend the following paragraphs in GRAP 14:

Adjusting events after the reporting date

…

.08 The following are examples of adjusting events after the reporting date that require an entity to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised:

(a) The settlement after the reporting date of a court case that confirms that the entity had a present obligation at the reporting date. The entity adjusts any previously recognised provision related to this court case in accordance with the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets* (GRAP 19) or recognises a new provision. The entity does not merely disclose a contingent liability because the settlement provides additional evidence that would be considered in accordance with GRAP 19.

(b) The receipt of information after the reporting date indicating that an asset was impaired at the reporting date, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted. For example:

   (i) the insolvency of a debtor that occurs after the reporting date usually confirms that <u>the debtor was credit-impaired at the end of the reporting period</u> ~~a loss existed at the reporting date on a receivable account and that the entity needs to adjust the carrying amount of the receivable account~~; and

   (ii) the sale of inventories after the reporting date may give evidence about their net realisable value at the reporting date.

(c) The determination after the reporting date of the cost of assets purchased, or the proceeds from assets sold, before the reporting date.

(d) The determination after the reporting date of the amount of revenue collected during the reporting period to be shared with another entity under a revenue sharing agreement in place during the reporting period.

(e) The determination after the reporting date of the amount of bonus, incentive and performance related payments to be made to staff if the entity had a present legal or constructive obligation at the reporting date to make such payments as a result of events before that date (see the Standard of GRAP on *Employee Benefits)*.

(f) The discovery of fraud or errors that show that the financial statements are incorrect.

…

Effective date

Entities already applying accrual accounting

…

Insert the following paragraph after paragraph .30:

<u>.30A Paragraph .08 was amended by the revision of GRAP 104 Financial Instruments issued in Month Year. These amendments are effective for annual periods beginning on or after Day Month Year. An entity shall apply these amendments retrospectively.</u>

B4. GRAP 19 *Provisions, Contingent Liabilities and Contingent Assets*

Amend the following paragraphs in GRAP 19:

Scope

…

.03 This Standard applies to:

(a) provisions, contingent liabilities and contingent assets of an insurer (who, for purposes of this Standard, is primarily engaged in insurance activities), other than those arising from its contractual obligations and rights under insurance contracts within the scope of the International Financial Reporting Standard(s)(IFRS® Standards) on insurance ~~*Insurance Contracts* (IFRS 4®)~~; and

(b) provisions for restructuring (including discontinued operations). In some cases, a restructuring may meet the definition of a discontinued operation. Guidance on disclosing information about discontinued operations is found in the Standard of GRAP on *Discontinued Operations*.

.04 This Standard does not apply to financial instruments (including guarantees) that are within the scope of the Standard of GRAP on *Financial Instruments*. ~~An entity, other than an insurer, that issues financial guarantee contracts initially recognises, measures and/or discloses such guarantees in accordance with this Standard. An entity also applies the derecognition and disclosure requirements of the Standard of GRAP on Financial Instruments to financial guarantee contracts.~~

.05 An entity, other than an insurer, that issues ~~other~~ guarantees, such as performance guarantees, ~~also~~ applies the recognition, measurement and disclosure requirements of this Standard to such guarantees.

~~.06 This Standard applies to provisions, contingent liabilities and contingent assets that arise from loan commitments. An entity initially recognises, measures and/or discloses loan commitments in accordance with this Standard.~~

…

Other exclusions from the scope of the Standard

…

.13 Where another Standard of GRAP deals with a specific type of provision, contingent liability or contingent asset, an entity applies that Standard instead of this Standard. Certain types of provisions are addressed in Standards of GRAP on:

(a) construction contracts (see the Standard of GRAP on *Construction Contracts*);

(b) income taxes (see the International Accounting Standard on *Income Taxes* (IAS 12))*;*

(c) leases (see the Standard of GRAP on *Leases* (GRAP 13)), however, as GRAP 13 contains no specific requirements to deal with operating leases that have become onerous, this Standard applies to such cases;

(d) employee benefits (see the Standard of GRAP on *Employee Benefits)*; and

(e) insurance contracts (see IFRS Standards on insurance ~~IFRS 4~~*);* and

(eA) contingent consideration of an acquirer in a transfer of functions between entities not under common control (see the Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control* (GRAP 106))*.*

…

Definitions

.17 ~~***A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.***~~

~~***Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.***~~

…

Application of the recognition and measurement rules

…

~~Financial guarantees and loan commitments~~

~~*.94*~~ ~~***An entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.***~~

~~.95 Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:~~

- ~~financial difficulty of the debtor;~~
- ~~defaults or delinquencies in interest and capital repayments by the debtor;~~
- ~~breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and~~

- ~~a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.~~

~~***.96 Where a fee is received by an entity for issuing a financial guarantee, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and an entity considers that an outflow of economic resources is probable, an entity recognisees the obligation at the higher of:***~~

~~***(a) the amount determined using this Standard; and***~~

~~***(b) the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with GRAP 9.***~~

~~***.97 An entity would also apply the requirements in paragraph .96 to loan commitments where a fee is charged.***~~

…

Transitional provisions

…

Amendments to Standards of GRAP

Insert the following paragraph after paragraph .113:

.113A <u>Paragraphs .03, .04, .05, .06, .13, .17 were amended by the revision of GRAP 104 Financial Instruments issued in Month Year. These amendments are effective for annual periods beginning on or after Day Month Year. An entity shall apply these amendments retrospectively.</u>

…

Comparison with International Public Sector Accounting Standard on *Provisions, Contingent Liabilities and Contingent Assets* (October 2002)

This Standard is drawn primarily from the International Public Sector Accounting Standard on *Provisions, Contingent Liabilities and Contingent Assets* (IPSAS 19) (October 2002). The main differences between this Standard and IPSAS 19 are as follows:

- …
- ~~The Standard requires entities to initially recognise, measure and/or disclose financial guarantee contracts and other guarantees in accordance with this Standard (except if the entity is primarily engaged in insurance activities). No similar requirement exists in IPSAS 19.~~

- ~~The Standard requires entities to initially recognise, measure and/or disclose loan commitments in accordance with this Standard. No similar requirement exists in IPSAS 19.~~
- ~~This Standard includes definitions for loan commitments and financial guarantees contracts.~~
- …

B5. GRAP 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)*

The following paragraphs are amended or inserted into GRAP 23:

Scope

…

.04 This Standard addresses revenue arising from non-exchange transactions. Revenue arising from exchange transactions is addressed in the Standard of GRAP on *Revenue from Exchange Transactions* (GRAP 9). While revenues received by entities arise from exchange and non-exchange transactions, the majority of revenue of entities is typically derived from non-exchange transactions such as:

(a) taxes; and

(b) transfers (whether cash or non-cash), including grants, debt forgiveness, fines, bequests, gifts, donations, goods and services in-kind, ~~and~~ concessionary loans received and concessionary investments.

…

Contributions from owners

.36 Contributions from owners are defined in the *Framework for the Preparation and Presentation of Financial Statements*. For a transaction to qualify as a contribution from owners, it will be necessary to satisfy the characteristics identified in that definition. In determining whether a transaction satisfies the definition of a contribution from owners, the substance rather than the form of the transaction is considered. Paragraph .37 indicates the form that contributions from owners may take. If, despite the form of the transaction, the substance is clearly that of a loan or another kind of liability, or revenue, the entity recognises it as such and makes an appropriate disclosure in the notes to the financial statements, if material. For example, if a transaction purports to be a contribution from owners, but specifies that the entity will pay fixed distributions to the transferor, with a return of the transferor's investment at a specified future time, the transaction is more characteristic of a loan. An entity also considers the requirements of paragraphs .3.1 to 3.14 ~~23 to .33~~, and paragraphs 5.4 to 5.6 on concessionary investments, of the Standard of GRAP on

Financial Instruments (GRAP 104) where the transaction meets the definition of a financial instrument.

…

Measurement of assets on initial recognition

…

.42 Consistent with the Standards of GRAP on *Inventories* (GRAP 12), *Investment Property* (GRAP 16), GRAP 17, *Intangible Assets*(GRAP 31) and *Heritage Assets* (GRAP 103), assets acquired through non-exchange transactions are measured at their fair value as at the date of acquisition. Assets arising out of contractual arrangements that otherwise meet the definition of a financial instrument (see paragraph ~~AG26.~~AG2.11 to AG2.15 of GRAP 104), such as cash and transfers receivable, are measured in accordance with paragraph .41 of this Standard as well as paragraphs .51 and AG5.2 to AG5.11~~.34 and AG77. to AG86.~~ of GRAP 104.

…

Transfers

…

.78 Transfers include grants, debt forgiveness, fines, bequests, gifts, donations, goods and services in-kind, ~~and~~ concessionary loans received and concessionary investments. All these items have the common attribute that they transfer resources from one entity to another without providing approximately equal value in exchange and are not taxes as defined in this Standard.

…

Measurement of transferred assets

.84 As required by paragraph .42, transferred assets are measured at their fair value as at the date of acquisition. Entities develop accounting policies for the recognition and measurement of assets that are consistent with Standards of GRAP. As noted previously, inventories, investment property, property, plant, equipment, intangible assets or heritage assets acquired through non-exchange transactions are to be initially measured at their fair value as at the date of acquisition in accordance with the requirements of GRAP 12, GRAP 16, GRAP 17, GRAP 31 and GRAP 103. Assets arising out of contractual arrangements, such as cash and transfers receivable that satisfy the definition of a financial instrument are measured at fair value as at the date of acquisition in accordance with paragraph .41 of this Standard as well as paragraphs .51 and AG5.2 to AG5.11~~34 and AG77. to AG86.~~ of GRAP 104.

…

Concessionary loans

…

.113 The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with GRAP 104. The off-market portion of the loan is a non-exchange transaction and is accounted for in accordance with this Standard. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest (paragraphs AG5.5 to AG5.7 ~~AG80. to AG82.~~ of GRAP 104 provides guidance on determining a market related interest rate).

…

Disclosures

…

.115 An entity shall disclose either on the face of, or in the notes to, the financial statements:

…

(d) the amount of liabilities recognised in respect of the off-market portion of concessionary loans that are subject to conditions;

(d)(e) the amount of liabilities recognised in respect of the off-market portion of concessionary investments that are subject to conditions;

…

B6. GRAP 25 *Employee Benefits*

The following reference is amended in GRAP 25:

Definitions

.08 A qualifying insurance policy is an insurance policy [*] issued by an insurer that is not a related party (as defined in GRAP 20) of the reporting entity, if the proceeds of the policy:

(a) can be used only to pay or fund employee benefits under a defined benefit plan; and

(b) are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

(i) ***the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or***

(ii) ***the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.***

[*] A qualifying insurance policy is not necessarily an insurance contract (see the International Financial Reporting Standard<u>(s)</u> on <u>insurance</u> ~~*Insurance Contracts*~~).

…

B7. GRAP 26 *Impairment of Cash-generating Assets*

Amend the following references in GRAP 26:

Scope

.02 An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for the impairment of cash-generating assets, except for:

…

(h) deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts within the scope of the International Financial Reporting Standard<u>(s) (IFRS®Standards)</u> on <u>insurance</u> ~~***Insurance Contracts (IFRS 4)***~~***; and***

…

.04 This Standard does not apply to inventories and cash-generating assets arising from construction contracts, because existing Standards of GRAP applicable to these assets contain requirements for recognising and measuring such assets (see GRAP 11 and GRAP 12). This Standard does not apply to deferred tax assets (see IAS 12), assets related to employee benefits (see GRAP 25), or deferred acquisition costs and intangible assets arising from an insurer's contractual rights under insurance contracts ~~(see IFRS 4)~~. In addition, this Standard does not apply to biological assets related to agricultural activity that are measured at fair value less costs to sell. The relevant Standards of GRAP dealing with such assets contain measurement requirements.

B8. GRAP 31 *Intangible Assets*

Amend the following reference in GRAP 31:

Scope

.03 This Standard shall be applied in accounting for intangible assets, except:

…

(g) ***deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts within the scope of the International Financial Reporting Standard(s) (IFRS® Standards) on insurance ~~Insurance Contracts (IFRS 4)~~. In cases where IFRS Standards ~~IFRS 4 does~~ not set out specific disclosure requirements for those intangible assets, the disclosure requirements in this Standard apply to those intangible assets;***

…

B9. GRAP 32 *Service Concession Arrangements: Grantor*

Delete the following paragraphs in GRAP 32:

Basis for conclusions

…

~~Accounting for a financial guarantee contract~~

~~BC22. IPSAS 32 requires the grantor to apply the principles in the IPSASs dealing with financial instruments in accounting for guarantees made by the grantor when it meets the definition of a financial guarantee contract.~~

~~BC23. The basis for conclusions to GRAP 104 (see GRAP 104 BC 11. to BC 16.) sets out the Boards' view on why an entity should account for a guarantee, that meets the definition of a financial guarantee contract, using GRAP 19 and not in terms of GRAP 104. Based on this conclusion, this Standard requires the grantor to account for financial guarantee contracts in terms of GRAP 19 and not in terms of GRAP 104.~~

…

B10. GRAP 105 *Transfers of Functions Between Entities Under Common Control*

Amend the following reference in GRAP 105:

Subsequent measurement

…

.50 An exception to the requirement in paragraph .48 to the classification or designation of the assets acquired and liabilities assumed on the transfer date, is that the acquirer shall classify the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

(a) classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on *Leases*; and

(b) classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard(s)(IFRS® Standards) on insurance ~~*Insurance Contracts*~~.

…

B11. GRAP 106 *Transfers of Functions Between Entities Not Under Common Control*

Amend the following references in GRAP 106:

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire

…

Classifying or designating identifiable assets acquired and liabilities assumed in a transfer of functions

…

.47 An exception to the requirement in paragraph .45 to the classification or designation of the assets acquired and liabilities assumed on the acquisition date, is that the acquirer shall classify the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the acquisition date):

(a) classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on *Leases*; and

(b) classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard(s)(IFRS®Standards) on insurance ~~*Insurance Contracts* (IFRS 4)~~.

…

Contingent consideration

.89 Examples of other Standards of GRAP that provide guidance on subsequently measuring and accounting for assets acquired and liabilities assumed or incurred in a transfer of functions include:

(a) The Standard of GRAP on *Intangible Assets* prescribes the accounting for identifiable intangible assets acquired in a transfer of functions.

(b) IFRS~~s~~ Standards ~~4~~ provide~~s~~ guidance on the subsequent accounting for an insurance contract acquired in a transfer of functions.

(c) The Standard of GRAP on *Consolidated and Separate Financial Statements* (GRAP 6) provides guidance on accounting for changes in a controlling entity's ownership interest in a controlled entity after control is obtained.

…

B12.GRAP 107 *Mergers*

Amend the following reference in GRAP 107:

Subsequent measurement

…

.34(b) An exception to the requirement in paragraph .32 to the classification or designation of the assets acquired and liabilities assumed on the merger date, is that the combined entity shall classify the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the merger date):

(a) classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on *Leases*; and

(b) classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard(s)(IFRS®Standards) on insurance ~~*Insurance Contracts*~~.

…

B13. GRAP 108 *Statutory Receivables*

Amend the following paragraphs in GRAP 108:

Scope

…

.03 This Standard does not apply to the following receivables, except if indicated otherwise:

(a) Receivables and any other financial assets that arise from contractual arrangements to which the Standard of GRAP on Financial Instruments (GRAP 104) applies.

(b) Receivables to which the Standard of GRAP on Leases (GRAP 13) applies.

(c) Insurance contracts as defined in the International Financial Reporting Standard(s)(IFRS®Standards) on insurance ~~Insurance Contracts~~.

…

B14. IGRAP 1 *Applying the Probability Test on Initial Recognition of Revenue*

Inset the following paragraph in IGRAP 1:

Scope

.04 This Interpretation of the Standards of GRAP addresses the manner in which an entity applies the probability test on initial recognition of:

(a) exchange revenue in accordance with GRAP 9, and

(b) non-exchange revenue in accordance with GRAP 23.

.04A The recognition of interest revenue is not within the scope of this Interpretation. Interest revenue is recognised in accordance with the Standards of GRAP on *Financial Instruments* and *Statutory Receivables.*

…

Application guidance

…

Definitions

Statutory receivables

…

AG5. Receivables that arise from contractual arrangements differ from statutory receivables because they are entered into voluntarily by entities and are not entered into as a result of specific legislative requirements (refer to GRAP 104 paragraph AG2.11 to AG2.15 ~~AG28. to AG32.~~). Contractual receivables, to the extent that they otherwise meet the definition of a financial asset, are within the scope of GRAP 104. In assessing whether an arrangement is statutory or contractual in nature, an entity considers only the legal form of the arrangement. If the arrangement is governed by specific legislation rather than a contract concluded between the relevant parties, then it is statutory in nature.

…

B15.IGRAP 14 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*

Consensus

…

.07 Other obligations of an arrangement, including any guarantees provided and obligations incurred upon early termination, shall be accounted for under the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets*, the Standard of GRAP on *Financial Instruments* or the International Financial Reporting Standard(s)(IFRS®Standards) on insurance ~~*Insurance Contracts*~~, depending on the terms.