



ACCOUNTING STANDARDS BOARD

IMPROVEMENTS TO THE STANDARDS OF GRAP (2016)

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Introduction to Standards of Generally Recognised Accounting Practice (GRAP)

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.

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

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



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



Summary of amendments

The Board issued proposed *Improvements to the Standards of GRAP (2016)* for comment in September 2016. After considering comment received during the public consultation process, the Board finally approved the proposed improvements to the Standards at its meeting in March 2017. The final amendments are outlined in this document. Once the final amendments are effective, they will be incorporated into the relevant Standards of GRAP.

The *Improvements to the Standards of GRAP (2016)* are applicable for reporting periods commencing on or after 1 April 2018. Earlier application is encouraged. Specific transitional provisions are outlined for each amendment made to each Standard of GRAP.

The following Standards of GRAP have been amended as a result of the *Improvements to Standards of GRAP (2016)*:

- GRAP 12 - *Inventories*
- GRAP 16 - *Investment Property*
- GRAP 17 - *Property, Plant and Equipment*
- GRAP 18 - *Segment Reporting*
- GRAP 21 – *Impairment of Non-cash Generating Assets*
- GRAP 26 - *Impairment of Cash Generating Assets*
- GRAP 27 - *Agriculture*
- GRAP 31 - *Intangible Assets*
- GRAP 103 - *Heritage Assets*
- GRAP 106 – *Transfer of Functions Between Entities Not Under Common Control*
- GRAP 110 – *Living and Non-living Resources*

This document outlines marked-up text of the affected paragraphs in each Standard of GRAP where amendments have been made. The amendments include deleted text as struck through while additional text is underlined.



IMPROVEMENTS TO THE STANDARDS OF GRAP (2016)



A1. Amendments to the Standard of GRAP on *Inventories* (GRAP 12)

Summary of amendments

Amendments to the Standard of GRAP on *Inventories* resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on *Inventories* (IPSAS 12) as a result of the IPSASB's *Improvements to IPSASs 2015* issued in March 2016.

The most significant changes to the Standard of GRAP on *Inventories* are outlined below:

Type of amendment	Paragraph reference	Summary of amendment
General improvements	.32, .52A, .54	To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
IPSASB amendments	.10, .13A, .52A, 54	To align terminology in GRAP 12 with that in IPSAS 12. The term “ammunition” in IPSAS 12 was replaced with the term “military inventories” and provides a description of what it comprises in accordance with Government Finance Statistics terminology.



Amendments to the Standard of GRAP on *Inventories*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 12 have been amended:

...

Inventories

.10 Inventories in the public sector may include:

- (a) ~~ammunition~~ military inventories;

...

.13A Military inventories consist of single-use items, such as ammunition, missiles, rockets and bombs delivered by weapons or weapons systems. However, some types of missiles may be accounted for in accordance with the Standard of GRAP on *Property, Plant, and Equipment*, if they satisfy the criteria to be classified in that Standard. Military inventories are not limited to items held by the military and can include items held by other entities involved in public order, safety, security and law-enforcement activities.

...

Inventory acquired through a non-exchange transaction

...

.32 Inventories may be transferred to the entity by means of a non-exchange transaction. For example, an international aid agency may donate medical supplies to a public hospital in the aftermath of a natural disaster. Under such circumstances, the cost of the inventory is its fair value as at the date it is acquired. Any transaction costs incurred are recognised in accordance with the requirements of paragraphs .25 to .26.

...

Transitional provisions

...

Amendments to Standards of GRAP

...

.52A The following paragraphs were amended by the Improvements to the Standards of GRAP issued in April 2017. These amendments are effective for



annual periods beginning on or after 1 April 2018. An entity shall apply these amendments as follows:

(a) paragraphs .10 and .13A shall be applied retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors; and

(b) paragraph .32 shall be applied prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Earlier application is encouraged. If an entity elects to apply these amendments earlier, it shall disclose this fact.

...

Effective date

...

Entities already applying Standards of GRAP

~~**.54 An entity shall apply amendments to this Standard of GRAP for annual financial statements covering periods beginning on or after 1 April 2013. Earlier application is encouraged. If an entity applies these amendments for a period beginning before 1 April 2013, it shall disclose that fact.**~~



A2. Amendments to the Standard of GRAP on *Investment Property* (GRAP 16)

Summary of amendments

Amendments to the Standard of GRAP on *Investment Property* resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on *Investment Property* (IAS 40) as a result of the IASB's amendments on *Annual Improvements to IFRSs 2011 – 2013 Cycle* issued in December 2013.

The most significant changes to the Standard of GRAP on *Investment Property* are outlined below:

Type of amendment	Paragraph reference	Summary of amendment
General improvements	.37, .103A, .105	To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
	.41, .103A, .105	To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
IASB amendments	.24A, .103A, .105	To clarify the interrelationship between the Standards of GRAP on <i>Transfer of Functions Between Entities Not Under Common Control</i> and <i>Investment Property</i> when classifying investment property or owner-occupied property.



Amendments to the Standard of GRAP on *Investment Property*

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

...

Property interest held by a lessee under an operating lease

.24 Judgement is needed to determine whether a property qualifies as investment property. An entity develops criteria so that it can exercise that judgement consistently in accordance with the definition of investment property and with the related guidance in paragraphs .07 to .18. Paragraph .91(c) requires an entity to disclose these criteria when classification is difficult.

.24A Judgement is also needed to determine whether the acquisition of investment property is the acquisition of an asset or a group of assets or a transfer of functions within the scope of the Standards of GRAP on *Transfer of Functions Between Entities Under Common Control* and *Transfer of Functions Between Entities Not Under Common Control*. Reference should be made to the Standards of GRAP on *Transfer of Functions Between Entities Under Common Control* and *Transfer of Functions Between Entities Not Under Common Control* to determine whether it is a transfer of functions. The discussion in paragraphs .07 to .24 of this Standard relates to whether or not property is owner-occupied property or investment property and not to determining whether or not the acquisition of property is a transfer of functions as defined in the Standards of GRAP on *Transfer of Functions Between Entities Under Common Control* and *Transfer of Functions Between Entities Not Under Common Control*. Determining whether a specific transaction meets the definition of a transfer of functions as defined in the Standards of GRAP on *Transfer of Functions Between Entities Under Common Control* and *Transfer of Functions Between Entities Not Under Common Control* and includes an investment property as defined in this Standard requires the separate application of these Standards.

...

Measurement at recognition

...

.37 An investment property may be acquired through a non-exchange transaction. For example, an entity may transfer, at no charge, a building to another entity, which then lets it out at market rent. An investment property may also be acquired



through a non-exchange transaction by the exercise of powers of expropriation. In these circumstances, the cost of the property is its fair value as at the date it is acquired. Any transaction costs incurred are recognised in accordance with the requirements of paragraphs .34 to .35.

...

.41 One or more investment properties may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an investment property is measured at fair value unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up. The acquired asset is measured in this way even if an entity cannot immediately derecognise the asset given up.

...

Transitional provisions

...

Amendments to Standards of GRAP

...

.103A The following paragraphs were amended by the Improvements to the Standards of GRAP issued in April 2017. These amendments are effective for annual periods beginning on or after 1 April 2018. An entity shall apply these amendments as follows:

(a) paragraphs .24A and .37 shall be applied prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors; and

(b) paragraph .41 shall be applied retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Earlier application is encouraged. If an entity elects to apply these amendments earlier, it shall disclose this fact.



...

Effective date

...

~~Entities already applying Standards of GRAP~~

~~.105 An entity shall apply amendments to this Standard of GRAP for annual financial statements covering periods beginning on or after 1 April 2013. Earlier application is encouraged. If an entity applies these amendments for a period beginning before 1 April 2013, it shall disclose that fact.~~

A3. Amendments to the Standard of GRAP on *Property, Plant and Equipment* (GRAP 17)

Summary of amendments

Amendments to the Standard of GRAP on *Property, Plant and Equipment* resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on *Property, Plant and Equipment* (IPSAS 17) as a result of the IPSASB's *Improvements to IPSASs 2014* issued in January 2015 and *Improvements to IPSASs 2015* issued in March 2016.

The most significant changes to the Standard of GRAP on *Property, Plant and Equipment* are outlined below:

Type of amendment	Paragraph reference	Summary of amendment
General improvements	.19, .100A, .102	To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
	.29, .100A, .102	To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
IPSASB amendments	.40, .100A, .102	To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued.
	73A, .100A, .102	To clarify acceptable methods of depreciating assets.
	.03, .11, .42, .100A, .102	To align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in



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		accordance with Government Finance Statistics terminology.
	.02, .06, .27A, .42, .100A, .102	To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.



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

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

Scope

...

.02 *An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for property, plant and equipment, except:*

...

(b) *biological assets related to agricultural activity other than bearer plants (see Standard of GRAP on Agriculture). This Standard applies to bearer plants but does not apply to the produce on bearer plants;*

...

.03 This Standard applies to property, plant and equipment including:

- (a) ~~specialist military equipment~~ weapons systems; and
- (b) infrastructure assets.

...

Definitions

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

A bearer plant is a living plant that:

(a) is used in the production or supply of agricultural produce;

(b) is expected to bear produce for more than one period; and

(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

(Paragraphs .07A to .07C of the Standard of GRAP on Agriculture elaborate on this definition of a bearer plant.)

...

.11 ~~Specialist military equipment~~ Weapons systems will normally meet the definition of



property, plant and equipment and should be recognised as an asset in accordance with this Standard. 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 simply to provide deterrence. Some single-use items, such as certain types of ballistic missiles, may provide an ongoing service of deterrence against aggressors and, therefore, can be classified as weapons systems.

...

Measurement at recognition

...

- .19 An item of property, plant and equipment may be acquired through a non-exchange transaction. For example, land may be contributed to a municipality by a developer at nil or nominal consideration, to enable the municipality to develop parks, roads and paths. An asset may also be acquired through a non-exchange transaction by the exercise of powers of expropriation. Under these circumstances the cost of the item is its fair value as at the date it is acquired. In determining the fair value of an item of property, plant and equipment acquired through a non-exchange transaction, the entity applies the principles in paragraphs .35 to .38. Any transaction costs incurred are recognised in accordance with the requirements of paragraphs .21 to .27.

...

Elements of cost

- .27A Bearer plants are accounted for in the same way as self-constructed items of property, plant, and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. Consequently, references to 'construction' in this Standard should be read as covering activities that are necessary to cultivate bearer plants before they are in the location and condition necessary to be capable of operating in the manner intended by management.

...

Measurement of cost

...

- .29 One or more items of property, plant and equipment may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an item of property, plant and equipment is measured at fair value if unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up. The acquired item is measured in this way even if an entity cannot immediately derecognise the asset given up. ~~If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.~~

...

Revaluation model

- .40 When an item of property, plant and equipment is revalued, ~~any accumulated depreciation~~ the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways:
- ~~restated proportionately the gross carrying amount is adjusted in a manner that is consistent with the change in the gross carrying amount of the asset so that revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. 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 after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of applying an index to its depreciated replacement cost; or~~
 - the accumulated depreciation is eliminated against the gross carrying amount of the asset, and the net amount restated to the revalued amount of the asset. This method is often used for buildings.

The amount of the adjustment ~~arising on the restatement or elimination~~ of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs .44 and .45.



...

.42 A class of property, plant and equipment is a grouping of assets of a similar nature or function in an entity's operations. The following are examples of separate classes:

...;

(h) ~~specialist military equipment~~ weapons systems;

...

(j) furniture and fixtures; ~~and~~

(k) office equipment; ~~and~~ and

(l) bearer plants.

Depreciation method

...

.73A A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits or service potential of the asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed.

...

Transitional provisions

...

Amendments to Standards of GRAP

...

.100A The following paragraphs were amended by the Improvements to the Standards of GRAP issued in April 2017. These amendments are effective for annual periods beginning on or after 1 April 2018. An entity shall apply these amendments as follows:

(a) paragraphs .19 and .73A shall be applied prospectively in accordance



with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors;

- (b) paragraphs .03, .11, .29 and .42 shall be applied retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors;**
- (c) paragraph .40 shall be applied to all revaluations recognised in annual periods beginning on or after the date of initial application of the amendment and in the immediately preceding annual period; and**
- (d) paragraphs .02, .06, .27A and .42 shall be applied retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors;**
 - (i) in the reporting period when these amendments are first applied an entity need not disclose the quantitative information required by paragraph .30(f) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors for the current period. However, an entity shall present the quantitative information required by paragraph .30(f) of that Standard for each prior period presented; and**
 - (ii) an entity may elect to measure an item of bearer plants at its fair value at the beginning of the earliest period presented in the financial statements for the reporting period in which the entity first applies these amendments and use that fair value as its deemed cost at that date. Any differences between the previous carrying amount and fair value shall be recognised in opening accumulated surpluses/deficits at the beginning of the earliest period presented.**

Earlier application is encouraged. If an entity elects to apply these amendments earlier, it shall disclose this fact.

...



Effective date

...

Entities already applying Standards of GRAP

~~.102 An entity shall apply amendments to this Standard of GRAP for annual financial statements covering periods beginning on or after 1 April 2016. Earlier application is encouraged. If an entity applies these amendments for a period beginning before 1 April 2016, it shall disclose that fact.~~



A4. Amendments to the Standard of GRAP on *Segment Reporting* (GRAP 18)

Summary of amendments

Amendments to the Standard of GRAP on *Segment Reporting* resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard of GRAP on *Segment Reporting* are outlined below:

Type of amendment	Paragraph reference	Summary of amendment
General improvements	Appendix 1	An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.



Amendments to the Standard of GRAP on *Segment Reporting*

The illustrative example on the disclosure of accounting policies has been deleted.

...

~~Appendix 1 - Illustrative segment disclosures~~

~~The appendix is illustrative only and does not form part of the Standard. The purpose of the appendix is to illustrate the application of the Standard to assist in clarifying its meaning.~~

~~Introduction~~

~~The tables and notes illustrate segment disclosures that this Standard would require for an education entity which is predominantly funded by appropriation but provides some educational services on a commercial basis to the employees of major corporations, and that has joined with a commercial venture to establish a private education foundation operating on a commercial basis. The entity has significant influence over the foundation, but does not control it.~~

~~Segment data is required for each year in which a complete set of financial statements is presented. Paragraph references are to the relevant requirements in this Standard.~~

~~General information (paragraph .20)~~

~~The entity is organised and reports to management on the basis of four major functional areas: primary, secondary, tertiary, and special educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were not aggregated for reporting purposes.~~

~~Operations of the special education services segments include provision of educational services on a commercial basis to the employees of major corporations. In providing these services to external parties the commercial services unit of the segment uses, on a fee for services basis, services provided by the primary, secondary and tertiary segments. These inter-segment transfers are eliminated on consolidation.~~

~~Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.~~

~~Information about surplus or deficits, assets and liabilities (paragraphs .21 and .23) and reconciliations (paragraph .27)~~

20X2	Primary	Secondary	Tertiary	Special Services	Eliminations	TOTAL
R'000						
REVENUE						



Revenue from non-exchange transactions	29	19	—22	17		
Revenue from exchange transactions	3	2	-	9		14
Inter-segment transfers	6	4	-6	-4	(20)	-
Share-of-surpluses-of-associates				8		-8
Total segment revenue	38	25	-28	-38	(20)	-109
EXPENSES						
Salaries and wages	(23)	(16)	(13)	(15)		(67)
Depreciation and amortisation	(5)	(4)	(5)	(6)		(20)
Other expenses	(7)	(5)	(10)	(7)	20	(9)
Total segment expenses	(35)	(25)	(28)	(28)	20	(96)
Total segmental surplus	3	-	-	10	-	13
Interest revenue						2
Other-unallocated-revenue						9
Interest expense						(4)
Unallocated expenses						(7)
Surplus for the period	3	-	-	10	-	-13
ASSETS						
Segment assets	32	22	34	20		108
Investment in associates (equity method)				32		32
Unallocated assets						-35
Total assets						175
LIABILITIES						
Segment liabilities	15	10	8	9		42
Unallocated liabilities						40
Total liabilities						82
OTHER INFORMATION						
Capital expenditure [±]	7	5	3	7		
<i>Non-cash items excluding Depreciation</i>						

* Excluding additions to financial instruments and post-employment benefit assets



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Accrued expenses	(5)	(3)	-(3)	-(3)
Deferred revenue	0	0	-	4

20X1	Primary	Secondary	Tertiary	Special Services	Eliminations	TOTAL
R'000						
SEGMENT REVENUE						
Revenue from non-exchange transactions	24	16	-23	17		80
Revenue from exchange transactions	2	2	-	6		10
Inter-segment transfers	4	2	7	-6	(19)	-
Share of surpluses of associates				7		-7
Total segment revenue	30	20	-30	-36	-19	-97
SEGMENT EXPENSE						
Salaries and wages	(19)	(12)	(13)	(15)		(59)
Depreciation and amortisation	(4)	(3)	(7)	(4)		(18)
Other expenses	(7)	(4)	(9)	(7)	19	(8)
Total segment expenses	(30)	(19)	(29)	(26)	19	(85)
Interest revenue						2
Other unallocated revenue						7
Interest expense						(4)
Unallocated expenses						(7)
Surplus for the period	-	1	1	10	-	-10
ASSETS						
Segment assets	30	20	30	19		99
Investment in associates (equity method)				26		26
Unallocated assets						-30
Total assets						155

LIABILITIES					
Segment liabilities	9	6	14	9	35
Unallocated liabilities					55
Total liabilities					90
OTHER INFORMATION					
Capital expenditure	6	4	5	3	
<i>Non-cash items excluding</i>					
<i>Depreciation</i>					
Accrued expenses	(4)	(4)	-(3)	-(3)	
Deferred revenue	-	-	-	1	-

Measurement of segment surplus or deficit, assets and liabilities (paragraphs .24 to .26)

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

Inter-segment transfers: segment revenue and segment expense include revenue and expense arising from transfers between segments. Such transfers are usually accounted for at cost and are eliminated on consolidation. The amount of these transfers was R20 million (R19 million in 20X1).

Investments in associates are accounted for using the equity method: the entity owns 40% of the shares of AfricaED Ltd, a specialist education foundation providing educational services internationally on a commercial basis under contract to multilateral lending agencies. The investment in, and the entity's share of, AfricaED's net profit are excluded from segment assets and segment revenue. It is shown separately under other services, the segment responsible for the administration of the investment in the associate.

Information about geographical areas (paragraphs .31 and .32)

The majority of the entity's operations are in the Gauteng Province except that as part of an aid programme it has established facilities in East Africa for the provision of secondary educational services. Total cost of services provided in East Africa is R5 million (R4 million in 20X1). Total carrying amount of the educational facilities in East Africa are R3 million (R6.5 million in 20X1). There were no outlays on the acquisition of capital assets in East Africa during 20X2 or 20X1. Revenues are not allocated per geographical area.

The table below indicate the expenditure incurred in the different regional areas after eliminating



inter segmental transfers.

R'000	20x2	20x1
<i>Gauteng Province</i>		
Region A	44	44
Region B	19	16
Region C	28	24
<i>Sub total</i>	91	84
<i>Foreign expenditure – East Africa</i>	5	4
<i>Total segment expenditure</i>	96	85



A5. Amendments to the Standard of GRAP on *Impairment of Non-cash-generating Assets* (GRAP 21)

Summary of amendments

Amendments to the Standard of GRAP on *Impairment of Non-cash Generating Assets* resulted from changes made to IPSAS 21 on *Impairment of Non-Cash-Generating Assets* (IPSAS 21) as a result of the IPSASB's *Impairment of Revalued Assets* issued in March 2016.

The most significant changes to the Standard of GRAP on *Impairment of Non-cash-generating Assets* are outlined below:

Type of amendment	Paragraph reference	Summary of amendment
IPSASB's amendments	BC10A. Comparison with IPSAS	To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.



Amendments to the Standard of GRAP on *Impairment of Non-cash-generating Assets*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 21 have been amended:

Basis for conclusions

Scope

Inclusion of property, plant and equipment carried at revalued amounts

- BC3. Property, plant and equipment carried at revalued amounts in accordance with the revaluation model are within the scope of the International Accounting Standard on *Impairment of Assets* (IAS 36).
- BC4. The scope of IPSAS 21, however, excludes non-cash-generating property, plant and equipment carried at revalued amounts in accordance with the revaluation model in the International Public Sector Accounting Standard on *Property, Plant and Equipment* (IPSAS 17). The basis for conclusions in IPSAS 21 states that the IPSASB is of the view that assets carried at revalued amounts in accordance with the revaluation model in IPSAS 17 will be revalued with sufficient regularity to ensure that they are carried at an amount that is not materially different from their fair value at the reporting date. Impairment will therefore be taken into account in that valuation.
- BC5. A similar scope exclusion for cash-generating property, plant and equipment carried at revalued amounts was included in the International Public Sector Accounting Standard on *Impairment of Cash-generating Assets* (IPSAS 26). The IPSASB concluded that it would be onerous to impose a requirement to test for impairment in addition to the existing requirement in IPSAS 17 that requires assets to be revalued with sufficient regularity to ensure that they are carried at an amount that is not materially different from their fair value at the reporting date. Therefore, on balance, the IPSASB concluded that IPSAS 26 should be consistent with the conclusion in IPSAS 21.
- BC6. In its argument to exclude property, plant and equipment carried at revalued amounts from the scope of IPSAS 21 and IPSAS 26, the IPSASB noted that in IAS 36 the maximum amount of an impairment loss is the disposal costs. This is particularly relevant in cases where the fair value of an item of property, plant and equipment is its market value. The IPSASB is of the view that, in most cases, these will not be material and, from a practical point of view, it is not necessary to



measure an asset's recoverable service amount and to recognise an impairment loss for the disposal costs of the asset.

- BC7. The Board, however, agrees with the scope inclusion of property, plant and equipment carried at revalued amounts as in IAS 36. The Board is the view that it will not be too onerous to assess at each reporting date whether there is an indication that an asset may be impaired, or that an impairment loss recognised in prior periods for the asset may no longer exist.
- BC8. The Board is also of the view that entities may not revalue their assets with "sufficient regularity", as the cost of revaluing certain public sector assets may initially be quite expensive. The disposal costs of certain specialised assets in the public sector therefore may well be significant. The scope exclusion for non-cash-generating property, plant and equipment carried at revalued amounts is therefore not included in this Standard.

Inclusion of intangible assets carried at revalued amounts

- BC9. For similar reasons as those expressed for the scope exclusion of non-cash-generating property, plant and equipment carried at revalued amounts, the IPSASB also scoped out the impairment of cash-generating intangible assets carried at revalued amounts. IAS 36, however, includes the impairment of such intangible assets in the scope of the Standard.
- BC10. The Board, for similar reasons as those expressed in the scope inclusion of non-cash-generating property, plant and equipment carried at revalued amounts, agrees with the scope inclusion of impairment of non-cash-generating intangible assets carried at revalued amounts as in IAS 36. The scope exclusion for the impairment of non-cash-generating intangible assets carried at revalued amounts is therefore not included in this Standard.
- BC10A During 2015 the IPSASB revisited the original decision to exclude revalued property, plant and equipment and intangible assets from the scope of IPSAS 21. As a result, the general principle in this Standard of GRAP is now consistent with that found in the revised IPSAS 21. However, with regards to the recognition and measurement of impairments and reversals for revalued assets, the boards follow different approaches. The IPSASB recognises the impairment losses and reversals in the revaluation reserve for the class of assets while the Board recognises these for the same asset. The Board considered the IPSASB's approach as part of the *Improvements to Standards of GRAP (2016)* but agreed that it would be inappropriate to align its approach to the IPSASB's as the approach in GRAP 21 is consistent with the principle in the Standard of GRAP on *Property, Plant and Equipment* that requires that revaluation increases or



decreases are applied to the revaluation surplus of the same asset.

...

Comparison with the International Public Sector Accounting Standard on *Impairment of Non-Cash-Generating Assets* (February 2007)

The Standard of GRAP on *Impairment of Non-cash-generating Assets* is drawn primarily from the International Public Sector Accounting Standard on *Impairment of Non-Cash-Generating Assets* (IPSAS 21). The main differences between this Standard and IPSAS 21 are as follows:

- This Standard uses different terminology, in certain instances, from IPSAS 21. The most significant example is the use of the term “net assets” in this Standard. The equivalent term in IPSAS 21 is “net assets/equity”.
- The scope of the Standard of GRAP is different in that biological assets related to agricultural activities that are measured at fair value less costs to sell are excluded from the scope of this Standard. IPSAS 21 has no such scope exclusions.
- ~~Non-cash generating property, plant and equipment that is measured at revalued amounts, and intangible assets that are measured at revalued amounts have not been scoped out of this Standard. Additional guidance on the treatment of impairment losses for assets measured at revalued amounts, and additional disclosures relating to such assets, were also included in this Standard. Assets measured at revalued amounts are scoped out from IPSAS 21. Accordingly, guidance on the treatment of impairment losses related to such assets is also not included in IPSAS 21.~~
- GRAP 21 recognises impairment losses and reversals for assets measured at revalued amounts in the revaluation surplus for the same asset, while IPSAS 21 recognises them in the revaluation reserve for the class of assets.
- Transitional provisions applicable to this Standard of GRAP are dealt with differently than in IPSAS 21.
- A flow chart is included as an appendix to assist entities in assessing whether a non-cash-generating asset is impaired and to determine the recoverable service amount when one of the impairment indicators have been triggered.
- The appendices with illustrative examples on indications of impairment and measurement of impairment loss have been deleted from this Standard.



A6. Amendments to the Standard of GRAP on *Impairment of Cash-generating Assets (GRAP 26)*

Summary of amendments

Amendments Changes to the Standard of GRAP on *Impairment of Cash Generating Assets* resulted from changes made to IPSAS 26 on *Impairment of Cash-Generating Assets* (IPSAS 26) as a result of the IPSASB's *Impairment of Revalued Assets* issued in March 2016.

The most significant changes to the Standard of GRAP on *Impairment of Cash-generating Assets* are outlined below:

Type of amendment	Paragraph reference	Summary of amendment
IPSASB's amendments	BC10A. Comparison with IPSAS	To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.



Amendments to the Standard of GRAP on *Impairment of Cash-generating Assets*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 26 have been amended:

Basis for conclusions

Scope

Inclusion of property, plant and equipment carried at revalued amounts

- BC3. Property, plant and equipment carried at revalued amounts in accordance with the revaluation model are within the scope of the International Accounting Standard on *Impairment of Assets* (IAS 36).
- BC4. The scope of IPSAS 21, however, excludes non-cash-generating property, plant and equipment carried at revalued amounts in accordance with the revaluation model in the International Public Sector Accounting Standard on *Property, Plant and Equipment* (IPSAS 17). The basis for conclusions in IPSAS 21 states that the IPSASB is of the view that assets carried at revalued amounts in accordance with the revaluation model in IPSAS 17 will be revalued with sufficient regularity to ensure that they are carried at an amount that is not materially different from their fair value at the reporting date. Impairment will therefore be taken into account in that valuation.
- BC5. A similar scope exclusion for cash-generating property, plant and equipment carried at revalued amounts was included in the IPSAS 26. The IPSASB concluded that it would be onerous to impose a requirement to test for impairment in addition to the existing requirement in IPSAS 17 that requires assets to be revalued with sufficient regularity to ensure that they are carried at an amount that is not materially different from their fair value at the reporting date. Therefore, on balance, the IPSASB concluded that IPSAS 26 should be consistent with the conclusion in IPSAS 21.
- BC6. In its argument to exclude property, plant and equipment carried at revalued amounts from the scope of IPSAS 26, the IPSASB noted that in IAS 36 the maximum amount of an impairment loss is the disposal costs. This is particularly relevant in cases where the fair value of an item of property, plant and equipment is its market value. The IPSASB is of the view that, in most cases, these will not be material and, from a practical point of view, it is not necessary to measure an asset's recoverable service amount and to recognise an impairment loss for the



disposal costs of the asset.

- BC7. The Board, however, agrees with the scope inclusion of property, plant and equipment carried at revalued amounts as in IAS 36. The Board is the view that it will not be too onerous to assess at each reporting date whether there is an indication that an asset may be impaired, or that an impairment loss recognised in prior periods for the asset may no longer exist.
- BC8. The Board is also of the view that entities may not revalue their assets with “sufficient regularity”, as the cost of revaluing certain public sector assets may initially be quite expensive. The disposal costs of certain specialised assets in the public sector therefore may well be significant. The scope exclusion for non-cash-generating property, plant and equipment carried at revalued amounts is therefore not included in this Standard.

Inclusion of intangible assets carried at revalued amounts

- BC9. For similar reasons as those expressed for the scope exclusion of non-cash-generating property, plant and equipment carried at revalued amounts, the IPSASB also scoped out the impairment of cash-generating intangible assets carried at revalued amounts. IAS 36, however, includes the impairment of such intangible assets in the scope of the Standard.
- BC10. The Board, for similar reasons as those expressed in the scope inclusion of non-cash-generating property, plant and equipment carried at revalued amounts, agrees with the scope inclusion of impairment of non-cash-generating intangible assets carried at revalued amounts as in IAS 36. The scope exclusion for the impairment of non-cash-generating intangible assets carried at revalued amounts is therefore not included in this Standard.
- BC10A. During 2015 the IPSASB revisited the original decision to exclude revalued property, plant and equipment and intangible assets from the scope of IPSAS 26. As a result, the general principle in this Standard of GRAP is now consistent with that found in the revised IPSAS 26. However, with regards to the recognition and measurement of impairments and reversals for revalued assets, the boards follow different approaches. The IPSASB recognises the impairment losses and reversals in the revaluation reserve for the class of assets while the Board recognises these for the same asset. The Board considered the IPSASB’s approach as part of the *Improvements to Standards of GRAP (2016)* but agreed that it would be inappropriate to align its approach to the IPSASB’s as the approach in GRAP 26 is consistent with the principle in the Standard of GRAP on *Property, Plant and Equipment* that requires that revaluation increases or decreases are applied to the revaluation surplus of the same asset.



...

Comparison with the International Public Sector Accounting Standard on *Impairment of Cash-Generating Assets* (January 2008)

The Standard of GRAP on *Impairment of Cash-generating Assets* is drawn primarily from the International Public Sector Accounting Standard on *Impairment of Cash-Generating Assets* (IPSAS 26). The main differences between this Standard and IPSAS 26 are as follows:

- This Standard of GRAP uses different terminology, in certain instances, from IPSAS 26. The most significant example is the use of the term “net assets” in this Standard. The equivalent term in IPSAS 21 is “net assets/equity”.
- ~~Cash-generating property, plant and equipment that is measured at revalued amounts, and intangible assets that are measured at revalued amounts have not been scoped out of this Standard. Additional guidance on the treatment of impairment losses for assets measured at revalued amounts, and additional disclosures relating to such assets, were also included in this Standard. Assets measured at revalued amounts are scoped out from IPSAS 26. Accordingly, guidance on the treatment of impairment losses related to such assets is also not included in IPSAS 26.~~
- GRAP 26 recognises impairment losses and reversals for assets measured at revalued amounts in the revaluation surplus for the same asset, while IPSAS 26 recognises them in the revaluation reserve for the class of assets.
- The guidance in this Standard has been aligned with the guidance in the Standard of GRAP on *Impairment of Non-cash-generating Assets* (GRAP 21).
- Transitional provisions applicable to this Standard of GRAP are dealt with differently than in IPSAS 26.
- A flow chart is included as an appendix to assist entities in assessing whether a cash-generating asset or cash-generating unit is impaired and to determine the recoverable amount when one of the impairment indicators have been triggered.
- The appendices with illustrative examples on using present value techniques to measure value in use and illustrative guidance have been deleted in this Standard.



A7. Amendments to the Standard of GRAP on *Agriculture* (GRAP 27)

Summary of amendments

Amendments to the Standard of GRAP on *Agriculture* resulted from changes made to IPSAS 27 on *Agriculture* (IPSAS 27) as a result of the IPSASB's *Improvements to IPSASs 2015* issued in March 2016.

The most significant changes to the Standard of GRAP on *Agriculture* are outlined below:

Type of amendment	Paragraph reference	Summary of amendment
IPSASB's amendments	.02, .03, .05, .06, .07, .07A, .07B, .07C, .26, .38, .55A, .57	<p>To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.</p> <p>In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on <i>Heritage Assets</i>. The IPSASB currently does not have a pronouncement on this topic.</p>



Amendments to the Standard of GRAP on *Agriculture*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 27 have been amended:

Scope

...

.02 *An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard to account for the following when they relate to agricultural activity:*

(a) biological assets, except for bearer plants; and

(b) agricultural produce at the point of harvest.

.03 This Standard does not apply to:

(a) land related to agricultural activity (see the Standards of GRAP on *Property, Plant and Equipment* and *Investment Property*);

(aA) bearer plants related to agricultural activity (see the Standard of GRAP on *Property, Plant and Equipment*). However, this Standard applies to the produce on those bearer plants;

...

...

.05 This Standard is applied to agricultural produce, which is the harvested ~~product~~ produce of the entity's biological assets, ~~only~~ at the point of harvest. Thereafter, the Standard of GRAP on *Inventories* or another applicable Standard of GRAP is applied. Accordingly, this Standard does not deal with the processing of agricultural produce after harvest; for example, the processing of grapes into wine by a vintner that has grown the grapes. While such processing may be a logical and natural extension of agricultural activity, and the events taking place may bear some similarity to biological transformation, such processing is not included within the definition of agricultural activity in this Standard.

- .06 The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn, carpet
Trees in a <u>timber</u> plantation forest	Felled trees	Logs, Timber
Plants	Cotton	Thread, clothing
	Harvested cane	Sugar
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured hams
<u>Cotton plants</u>	<u>Harvested cotton</u>	<u>Thread, clothing</u>
<u>Sugarcane</u>	<u>Harvested cane</u>	<u>Sugar</u>
<u>Tobacco plants</u> Bushes	<u>Picked leaves</u> Leaf	Tea, <u>c</u> ured tobacco
<u>Tea bushes</u>	<u>Picked leaves</u>	<u>Tea</u>
<u>Grape V</u> vines	<u>Picked G</u> grapes	Wine
Fruit trees	Picked fruit	Processed fruit
<u>Oil palms</u>	<u>Picked fruit</u>	<u>Palm oil</u>
<u>Rubber trees</u>	<u>Harvested latex</u>	<u>Rubber products</u>

Some plants, for example, tea bushes, grape vines, oil palms and rubber trees,



usually meet the definition of a bearer plant and are within the scope of Standard of GRAP on *Property, Plant and Equipment*. However, the produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex, is within the scope of this Standard.

...

Definitions

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

Agricultural produce is the harvested product produce of the entity's biological assets.

A bearer plant is a living plant that:

(a) is used in the production or supply of agricultural produce;

(b) is expected to bear produce for more than one period; and

(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

.07A The following are not bearer plants:

(a) plants cultivated to be harvested as agricultural produce (for example, trees grown for use as lumber);

(b) plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales (for example, trees that are cultivated for their fruit and their lumber); and

(c) annual crops (for example, maize and wheat).

.07B When bearer plants are no longer used to bear produce they might be cut down and sold as scrap, for example, for use as firewood. Such incidental scrap sales would not prevent the plant from satisfying the definition of a bearer plant.

.07C Produce growing on bearer plants is a biological asset.

...

Recognition and measurement

...

.26 Cost may sometimes approximate fair value, particularly when:



- (a) little biological transformation has taken place since initial cost incurrence (for example, for ~~fruit-tree~~ seedlings planted immediately prior to reporting date or newly acquired livestock); or
- (b) the impact of the biological transformation on price is not expected to be material (for example, for the initial growth in a 30-year pine plantation production cycle).

...

Disclosure

General

...

.38 Consumable biological assets are those that are held for harvest as agricultural produce or for sale or distribution through a non-exchange transaction as biological assets. Examples of consumable biological assets are animals and plants for one-time use, such as livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat, produce on a bearer plant and trees being grown for timber. Bearer biological assets are those biological assets that are used repeatedly or continuously for more than one year in an agricultural activity. Bearer biological assets are not agricultural produce but, rather, are held to bear produce self-regenerating. Examples of types of animals that are bearer biological assets include breeding stock (including fish and poultry), livestock from which milk is produced, and sheep or other animals used for wool production. Examples of types of plants that are bearer biological assets include trees from which fruit is harvested, vines and shrubs cultivated for the harvest of fruits, nuts, sap, resin, bark and leaf products ~~and trees from which firewood is harvested while the tree remains.~~

...

Transitional provisions

...

Amendments to Standards of GRAP

...

.55A The following paragraphs were amended by the Improvements to the Standards of GRAP issued in April 2017. These amendments are effective for



annual periods beginning on or after 1 April 2018. An entity shall apply these amendments as follows:

- (a) paragraphs .02, .03, .05, .06, .07, 07A, .07B, .07C, .26 and .38 shall be applied retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors; and**
- (b) in the reporting period when these amendments are first applied an entity need not disclose the quantitative information required by paragraph .30(f) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors for the current period. However, an entity shall present the quantitative information required by paragraph .30(f) of that Standard for each prior period presented.**

Earlier application is encouraged. If an entity elects to apply these amendments earlier, it shall disclose this fact.

...

Effective date

...

Entities already applying Standards of GRAP

- ~~**.57 An entity shall apply amendments to this Standard of GRAP for annual financial statements covering periods beginning on or after 1 April 2013. Earlier application is encouraged. If an entity applies these amendments for a period beginning before 1 April 2013, it shall disclose that fact.**~~



Consequential amendments to other Standards of GRAP

The following amendments to the Standards of GRAP on *Leases*, *Investment Property* and *Impairment of Cash-generating Assets* are as a result of the amendments made to the Standard of GRAP on *Agriculture*.

Standard of GRAP on *Leases* (GRAP 13)

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

Scope

...

.02 ...

However, this Standard shall not be applied as the basis of measurement for:

- (a) ***property held by lessees that is accounted for as investment property (see the Standard of GRAP on Investment Property);***
- (b) ***investment property provided by lessors under operating leases (see the Standard of GRAP on Investment Property);***
- (c) ***biological assets within the scope of the Standard of GRAP on Agriculture held by lessees under finance leases (~~see the Standard of GRAP on Agriculture~~); or***
- (d) ***biological assets within the scope of the Standard of GRAP on Agriculture provided by lessors under operating leases (~~see the Standard of GRAP on Agriculture~~).***

...

Standard of GRAP on *Investment Property* (GRAP 16)

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



Scope

...

.04 This Standard does not apply to:

- (a) biological assets related to agricultural activity (see the Standards of GRAP on Agriculture and Property, Plant and Equipment);
- (b) ...

...

Standard of GRAP on *Impairment of Cash-generating Assets* (GRAP 26)

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 26 have been amended:

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:*

- (a) ...
- (g) ***biological assets related to agricultural activity within the scope of the Standard of GRAP on Agriculture that are measured at fair value less costs to sell (see the ~~Standard of GRAP on Agriculture~~;***

...

Standard of GRAP on *Heritage Assets* (GRAP 103)

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 103 have been amended:



Scope

...

.02 An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in the recognition, measurement and disclosure of all assets that meet the definition of a heritage asset, except:

- (a) the initial recognition and initial measurement of heritage assets acquired in a transfer of functions between entities under common control (see the Standard of GRAP on Transfer of Functions Between Entities Under Common Control) or a merger (see the Standard of GRAP on Mergers); and**
- (b) bearer plants and biological assets related to agricultural activity (see the Standards of GRAP on Property, Plant and Equipment and Agriculture);**

...

A8. Amendments to the Standard of GRAP on *Intangible Assets* (GRAP 31)

Summary of amendments

Amendments to the Standard of GRAP on *Intangible Assets* resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on *Intangible Assets* (IPSAS 31) as a result of the IPSASB's *Improvements to IPSASs 2014* issued in January 2015.

The most significant changes to the Standard of GRAP on *Intangible Assets* are outlined below:

Type of amendment	Paragraph reference	Summary of amendment
General improvements	.38A, .132A, .134	To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
	.41, .132A, .134	To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
IPSASB amendments	.79, .132A, .134	To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued.
	.92, .98A, .98B, .98C, .132A, .134	To clarify acceptable methods of depreciating assets.



Amendments to the Standard of GRAP on *Intangible Assets*

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

Intangible assets acquired through non-exchange transactions

...

.38A Under these circumstances the cost of the item is its fair value at the date it is acquired. Any transaction costs incurred are recognised in accordance with the requirements of paragraphs .30 to .34. For purposes of this Standard, the measurement at recognition of an intangible asset acquired through a non-exchange transaction, at its fair value consistent with the requirements of paragraph .74, does not constitute a revaluation. Accordingly, the revaluation requirements in paragraph .74, and the supporting commentary in paragraphs .75 to .87 only apply when an entity elects to revalue an intangible item in subsequent reporting periods. Any transaction costs incurred are recognised in accordance with the requirements of paragraphs .30 to .34.

...

Exchanges of assets

.41 One or more intangible assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an intangible asset is measured at fair value unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up. The acquired asset is measured in this way even if an entity cannot immediately derecognise the asset given up. ~~If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.~~ If the fair transaction is in substance a non-exchange transaction, then it should be recognised in accordance with the Standard of GRAP on *Revenue from Non-exchange Transactions (Taxes and Transfers)*.

...

Revaluation model

...



.79 When ~~If~~ an intangible asset is revalued, any ~~accumulated amortisation~~ the carrying amount of that asset is adjusted to the revalued amount. ~~At~~ the date of the revaluation, the asset is either treated in one of the following ways:

(a) ~~restated proportionately~~ the gross carrying amount is adjusted in a manner that is consistent with the revaluation of change in the gross carrying amount of the asset so that the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated amortisation 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 after revaluation equals its revalued amount; or

(b) the accumulated amortisation is eliminated against the gross carrying amount of the asset, ~~and the net amount restated to the revalued amount of the asset.~~

The amount of the adjustment ~~arising on the restatement or elimination~~ of accumulated amortisation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs .84 and .85.

...

Useful life

...

.92 Given the history of rapid changes in technology, computer software and many other intangible assets are susceptible to technological obsolescence. Therefore, it ~~is likely~~ will often be the case that their useful life is short. Expected future reductions in the selling price of an item that was produced using an intangible asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.

Amortisation period and amortisation method

...

.98 A variety of amortisation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight line method, the diminishing balance method and the unit of production method. The method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits or service potential embodied in the asset and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.

.98A There is a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. The revenue generated by an activity that includes the use of an intangible asset typically reflects factors that are not directly linked to the consumption of the economic benefits or service potential embodied in the intangible asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed. This presumption can be overcome only in the limited circumstances:

- (a) in which the intangible asset is expressed as a measure of revenue, as described in paragraph .98C; or
- (b) when it can be demonstrated that revenue and the consumption of the economic benefits or service potential of the intangible asset are highly correlated.

.98B In choosing an appropriate amortisation method in accordance with paragraph .97, an entity could determine the predominant limiting factor that is inherent in the intangible asset. For example, the contract that sets out the entity's rights over its use of an intangible asset might specify the entity's use of the intangible asset as a predetermined number of years (i.e., time), as a number of units produced or as a fixed total amount of revenue to be generated. Identification of such a predominant limiting factor could serve as the starting point for the identification of the appropriate basis of amortisation, but another basis may be applied if it more closely reflects the expected pattern of consumption of economic benefits or service potential.

.98C In the circumstance in which the predominant limiting factor that is inherent in an



intangible asset is the achievement of a revenue threshold, the revenue to be generated can be an appropriate basis for amortisation. For example, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged (for example, a contract could allow operation of the toll road until the cumulative amount of tolls generated from operating the road reaches R100 million). In the case in which revenue has been established as the predominant limiting factor in the contract for the use of the intangible asset, the revenue that is to be generated might be an appropriate basis for amortising the intangible asset, provided that the contract specifies a fixed total amount of revenue to be generated on which amortisation is to be determined.

...

Transitional provisions

...

Amendments to Standards of GRAP

...

.132A **The following paragraphs were amended by the Improvements to the Standards of GRAP issued in April 2017. These amendments are effective for annual periods beginning on or after 1 April 2018. An entity shall apply these amendments as follows:**

- (a) paragraphs .38A, .92, .98A, .98B and .98C shall be applied prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors;**
- (b) paragraph .41 shall be applied retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors; and**
- (c) paragraph .79 shall be applied to all revaluations recognised in annual periods beginning on or after the date of initial application of the amendment and in the immediately preceding annual period.**

Earlier application is encouraged. If an entity elects to apply these amendments earlier, it shall disclose this fact.

...

Effective date

...



Entities already applying Standards of GRAP

~~.134 An entity shall apply amendments to this Standard of GRAP for annual financial statements covering periods beginning on or after 1 April 2016. Earlier application is encouraged. If an entity applies these amendments for a period beginning before 1 April 2016, it shall disclose that fact.~~



A9. Amendments to the Standard of GRAP on *Heritage Assets* (GRAP 103)

Summary of amendments

Amendments to the Standard of GRAP on *Heritage Assets* resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard of GRAP on *Heritage Assets* are outlined below:

Type of amendment	Paragraph reference	Summary of amendment
General improvements	.26, .106A, .108	To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
	.33, .106A, .108	To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.



Amendments to the Standard of GRAP on *Heritage Assets*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 103 have been amended:

Measurement at recognition

...

- .26 A heritage asset may be acquired through a non-exchange transaction. For example, a museum may receive a valuable art collection from an estate benefactor. Under these circumstances, the cost of the heritage asset is its fair value as at the date of acquisition. In determining the fair value of a heritage asset acquired through a non-exchange transaction, the entity should apply the principles in paragraphs .38 to .48. Any transaction costs incurred are recognised in accordance with the requirements of paragraphs .28 to .30.

...

Measurement of cost

...

- .33 One or more items of heritage assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an item of heritage assets is measured at fair value if unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up. The acquired item is measured in this way even if an entity cannot immediately derecognise the asset given up. ~~If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.~~

...



Transitional provisions

...

Amendments to Standards of GRAP

...

.106A *The following paragraphs were amended by the Improvements to the Standards of GRAP issued in April 2017. These amendments are effective for annual periods beginning on or after 1 April 2018. An entity shall apply these amendments as follows:*

- (a) *paragraph .26 shall be applied prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors; and*
- (b) *paragraph .33 shall be applied retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.*

Earlier application is encouraged. If an entity elects to apply these amendments earlier, it shall disclose this fact.

...

Effective date

...

Entities already applying Standards of GRAP

~~**.108** *An entity shall apply amendments to this Standard of GRAP for annual financial statements covering periods beginning on or after 1 April 2016. Earlier application is encouraged. If an entity applies these amendments for a period beginning before 1 April 2016, it shall disclose that fact.*~~



A10. Amendments to the Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control* (GRAP 106)

Summary of amendments

Amendments to the Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control* resulted from changes made to IFRS 3 on *Business Combinations* (IFRS 3) as a result of the IASB's amendments on *Annual Improvements to IFRSs 2010 – 2012 Cycle* issued in December 2013.

The most significant changes to the Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control* are outlined below:

Type of amendment	Paragraph reference	Summary of amendment
IASB's amendments	.68, .88, .98A, .99	To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.



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

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

Contingent consideration

...

.68 The acquirer shall classify an obligation to pay contingent consideration that meets the definition of a financial instrument as a financial liability or as net assets on the basis of the definitions of a residual interest and a financial liability in the Standard of GRAP on *Financial Instruments*, ~~or other applicable Standard of GRAP~~. The acquirer shall classify as an asset a right to the return of previously transferred consideration if specified conditions are met. Paragraph .88 provides guidance on the subsequent accounting for contingent consideration.

Contingent consideration

.88 Some changes in the fair value of contingent consideration that the acquirer recognises after the acquisition date may be the result of additional information that the acquirer obtained after that date about facts and circumstances that existed at the acquisition date. However, changes resulting from events after the acquisition date, such as meeting a performance target, or reaching a milestone on a research and development project, are not measurement period adjustments. The acquirer shall account for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:

- (a) Contingent consideration classified as net assets shall not be remeasured and its subsequent settlement shall be accounted for within net assets.
- (b) Other ~~Contingent~~ consideration ~~classified as an asset or a liability~~ that:
 - (i) ~~is a financial instrument~~ and is within the scope of the Standard of GRAP on *Financial Instruments* shall be measured at fair value at each reporting period, with any resulting gain or loss and changes in fair value shall be recognised in surplus or deficit in accordance with that Standard of GRAP.
 - (ii) is not within the scope of the Standard of GRAP on *Financial Instruments* shall be ~~accounted for in accordance with the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets* or other~~



Standards of GRAP as appropriate measured at fair value at each reporting period and changes in fair value shall be recognised in surplus or deficit.

...

Transitional provisions

...

Amendments to Standards of GRAP

.98A Paragraphs .68 and .88 were amended by the Improvements to the Standards of GRAP issued in April 2017. An entity shall apply these amendments prospectively to transfer of functions between entities not under common control for which the acquisition date is on or after 1 April 2018. Earlier application is encouraged. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Effective date

Initial adoption of the Standards of GRAP

.99 An entity shall apply this Standard of GRAP for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act No. 1 of 1999 as amended.



Consequential amendments to other Standards of GRAP

The following amendments to the Standards of GRAP on *Provisions, Contingent Liabilities and Contingent Assets* and *Financial Instruments* are as a result of the amendments made to the Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control*.

Amendment to the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Asset* (GRAP 19)

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 19 have been amended:

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*);
 - (c) leases (see the Standard of GRAP on *Leases*), however, as the Standard of GRAP on *Leases* 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 the International Financial Reporting Standard on *Insurance Contracts*); ~~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*).

...



Transitional provisions

...

Amendments to Standards of GRAP

.113A **Paragraph .13 was amended by the Improvements to the Standards of GRAP issued in April 2017, as a consequential amendment derived from the amendment to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control. An entity shall apply this amendment prospectively to transfer of functions between entities not under common control for which the acquisition date is on or after 1 April 2018. Earlier application is encouraged. If an entity elects to apply this amendment earlier, it shall disclose this fact.**

Effective date

...

~~Entities already applying Standards of GRAP~~

...

~~**.115** **An entity shall apply amendments to this Standard of GRAP for annual financial statements covering periods beginning on or after 1 April 2015. Earlier application is encouraged. If an entity applies this amendment for a period beginning before 1 April 2015, it shall disclose that fact.**~~

Amendment to the Standard of GRAP on *Financial Instruments* (GRAP 104)

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 104 have been amended:

Definitions

...

.14 ***The following categories of financial instruments are defined and used in***



this Standard with the meanings specified:

...

Financial instruments at fair value comprise financial assets or financial liabilities that are:

(a) ...

(aA)contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control applies;

(b) ...

...

Transitional provisions

...

Amendments to Standards of GRAP

.135A Paragraph .14 was amended by the Improvements to the Standards of GRAP issued in April 2017, as a consequential amendment derived from the amendment to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control. An entity shall apply this amendment prospectively to transfer of functions between entities not under common control for which the acquisition date is on or after 1 April 2018. Earlier application is encouraged. If an entity elects to apply this amendment earlier, it shall disclose this fact.



Effective date

...

Entities already applying Standards of GRAP

~~.115 An entity shall apply amendments to this Standard of GRAP for annual financial statements covering periods beginning on or after 1 April 2015. Earlier application is encouraged. If an entity applies this amendment for a period beginning before 1 April 2015, it shall disclose that fact.~~

...



A11. Amendments to the Standard of GRAP on *Living and Non-living Resources* (GRAP 110)

Summary of amendments

Amendments to the Standard of GRAP on *Living and Non-living Resources* resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on *Property, Plant and Equipment* (IPSAS 17) as a result of the IPSASB's *Improvements to IPSASs 2014* issued in January 2015 and *Improvements to IPSASs 2015* issued in March 2016.

The most significant changes to the Standard of GRAP on *Living and Non-living Resources* are outlined below:

Type of amendment	Paragraph reference	Summary of amendment
General improvements	.35	To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23.
	.44	To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
IPSASB amendments	.60	To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued.
	.94A	To clarify acceptable methods of depreciating assets.
	.02, .04, 04A, .05, .08, .101, .105, .106, .108, decision tree and basis for conclusions.	To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27.

Amendments to the Standard of GRAP on *Living and Non-living Resources*

Amended text is shown with new text underlined and deleted text struck through (Note: these amendments are to be included in the Standard of GRAP on *Living and Non-living Resources* from 1 April 2018). The following paragraphs in GRAP 110 have been amended:

Scope

...

.02 An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard to the:

(a) recognition, measurement, presentation and disclosure of living resources except those living resources that are:

- (i) biological assets related to agricultural activity other than bearer plants (see the Standard of GRAP on Agriculture (GRAP 27));**
- (ii) bearer plants related to agricultural activity (see the Standard of GRAP on Property, Plant and Equipment (GRAP 17)); or**
- (iii) inventory (see the Standard of GRAP on Inventories (GRAP 12));**
and

...

.04 GRAP 27 applies to biological assets other than bearer plants and agricultural produce which is the harvested ~~product~~ produce of the entity's biological assets. Where an entity is involved in agricultural activities, the entity intends to sell, distribute, or convert the biological assets into agricultural produce or additional biological assets for sale or distribution at no or for a nominal charge.

.04A GRAP 17 applies to bearer plants related to agricultural activity. Bearer plants held to bear produce are living plants that are used in the production or supply of agricultural produce, the plant is expected to bear produce for more than one period, and has a remote likelihood of being sold as agricultural produce.

.05 Biological assets as defined in GRAP 27, and bearer plants related to agricultural activity as defined in GRAP 17, meet the definition of living resources in this Standard. However, when the living resources are used to undertake the specific activities outlined in paragraph .04 and .04A, an entity applies the principles in GRAP 17 or GRAP 27. As the reasons for holding these living resources in this



Standard differs from agricultural activity, only those living resources that are not biological assets used in an agricultural activity are within the scope of this Standard

Definitions

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

...

A bearer plant is a living plant that:

- (a) is used in the production or supply of agricultural produce;**
- (b) is expected to bear produce for more than one period; and**
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.**

(Paragraphs .07A to .07C of GRAP 27 elaborate on this definition of a bearer plant).

Measurement at recognition

.35 If a living resource is acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets, the guidance in paragraphs .43 to .45 should be applied to measure the living resource. In addition, a living resource may be acquired through a non-exchange transaction, for example, animals that are born as a result of their reproductive cycle, or when they are received through a donation. The cost of such animals is their fair value as at the date of acquisition. In determining the fair value of a living resource acquired through a non-exchange transaction, the entity should apply the principles in paragraphs .50 to .58. Any transaction costs incurred are recognised in accordance with the requirements of paragraph .37 to .39.

Measurement of cost

.44 One or more living resources may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. For example, two entities that are engaged in breeding activities may exchange resources to improve the bloodline of a specific animal. When one non-monetary asset is exchanged for another, the cost of such a living resource is measured at fair value unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired living resource is not measured at fair value, its cost is measured at the carrying amount of the asset given up. The

acquired item is measured in this way even if an entity cannot immediately derecognise the asset given up. ~~If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.~~

The revaluation model

.60 When a living resource is revalued, the carrying amount of that living resource is adjusted to the revalued amount. At any accumulated depreciation at the date of the revaluation, the living resource is treated in one of the following ways:

- (a) the gross carrying amount is adjusted in a manner that is consistent Restated proportionately with the revaluation of the change in the gross carrying amount of the living resource, so that the carrying amount of the living resource after revaluation equals its revalued amount. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference in the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or This method is often used when a living resource is revalued by means of applying an index to its depreciated replacement cost.
- (b) the accumulated depreciation is Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the living resource.

The amount of the adjustment arising ~~on the restatement or elimination~~ of accumulated depreciation forms part of the increase or decrease in the carrying amount that is accounted for in accordance with paragraphs .66 and .67.

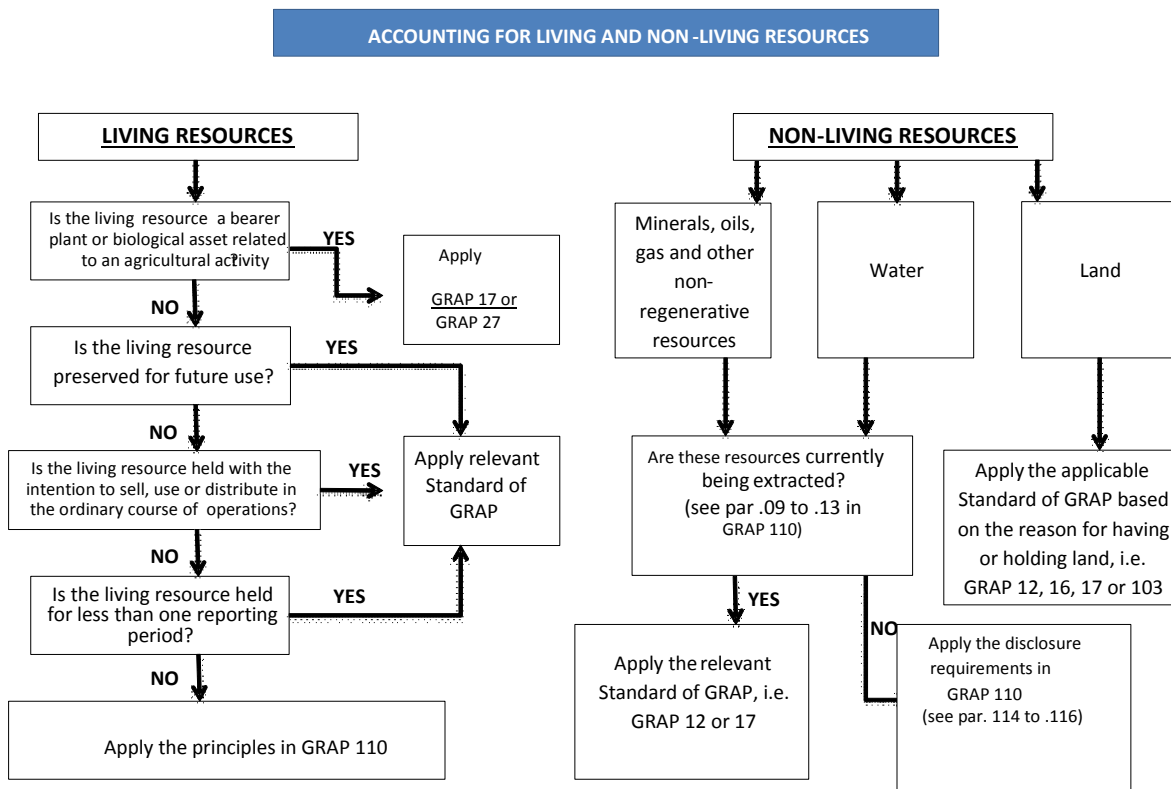
Depreciation method

.94A A depreciation method that is based on revenue that is generated by an activity that includes the use of a living resource is not appropriate. The revenue generated by an activity that includes the use of a living resource generally reflects factors other than the consumption of the economic benefits or service potential of the asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which a living resource is consumed.

Transfers

- .101 Transfers from living resources should be made when the asset no longer meets the definition of a living resource (see paragraph .08). For instance, an entity decides to use a fruit orchard that was previously held for research, for agricultural purposes. The entity does not intend to sell or dispose of the fruit orchard at this point in time. As a result of the change in use, the tree no longer meets the definition of a living resource and should therefore be transferred from living resources to agriculture GRAP 17 or GRAP 27 depending on whether providing the definition of a bearer plant in GRAP 27 is met.
- .105 For a transfer from living resources carried at a revalued amount to property, plant and equipment (including bearer plants), inventories or to a biological asset, the living resource's deemed cost for subsequent accounting in accordance with the applicable Standard of GRAP shall be its revalued amount at the date of transfer. The entity shall apply the principles in this Standard up to the date of transfer. The entity treats any difference at that date between the carrying amount of the living resource and its fair value in the same way as a revaluation in accordance with this Standard.**
- .106 If an item of property, plant and equipment (including bearer plants) carried at a revalued amount, or a biological asset carried at fair value less cost to sell, is reclassified as a living resource carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that living resource.**
- .108 When a living resource carried at a revalued amount is transferred to inventories, property, plant or equipment or an agricultural activity, the revaluation reserve included in net assets in respect of the living resource should be transferred directly to the accumulated surplus or deficit when (a) the inventory is consumed or distributed in the production process, or in the ordinary course of operations, or (b) the agricultural produce is sold, distributed at no charge or for a nominal charge or converted into agricultural produce or into additional biological assets for sale or distribution at no charge or for a nominal consideration.

Appendix B - Decision tree



Basis for conclusions

BC8. As the definition of living resources includes all living organisms, animals and plants used in agricultural activities are included within this definition. The scope of this Standard of GRAP is therefore wider than animals and plants that are in the scope of GRAP 17 or GRAP 27.

BC9. The Standard of GRAP does, however, require an entity that undertakes agricultural activities, because it intends to sell, distribute or convert the biological assets into agricultural produce or additional biological assets for sale or distribution at no or for a nominal charge, to apply the principles in GRAP 27 as the reasons for holding those living resources, are for agricultural activities. The principles in the GRAP 17 should be applied to bearer plants related to



agricultural activity when the plant is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce.