ACCOUNTING STANDARDS BOARD

STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE

LIVING AND NON-LIVING RESOURCES

(GRAP 110)

Issued by the
Accounting Standards Board

March 2017

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Standard of Generally Recognised Accounting Practice

Living and Non-living Resources

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This Standard was originally issued by the Accounting Standards Board (the Board) in March 2017. Since then, it has been amended by:

- Improvements to the Standards of GRAP, issued by the Board in April 2017.

Introduction

Standards of Generally Recognised Accounting Practice

The Accounting Standards Board (the Board) is required in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of Generally Recognised Accounting Practice (GRAP).

The Board must determine GRAP for:

(a) departments (including national, provincial and government components);

(b) public entities;

(c) trading entities (as defined in the PFMA);

(d) constitutional institutions;

(e) municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and

(f) Parliament and the provincial legislatures.

The above are collectively referred to as "entities" in Standards of GRAP.

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

(a) public entities that meet the criteria outlined in the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities;* and

(b) entities under the ownership control of any of these entities.

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

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

This Standard is set out in paragraphs .01 to .128. All paragraphs in this Standard have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This Standard should be read in the context of its objective, its basis for conclusions if applicable, the *Preface to Standards of GRAP,* the *Preface to the Interpretations of the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*.

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

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

Objective

.01 The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

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));

(iA) bearer plants related to agricultural activity (see the Standard of GRAP on Property, Plant and Equipment (GRAP 17)); or

(ii) inventory (see the Standard of GRAP on Inventories (GRAP 12)); and

(b) disclosure of non-living resources, except:

(i) land, that shall be accounted for in accordance with GRAP 12, GRAP 17 and the Standards of GRAP on Investment Property (GRAP 16), and Heritage Assets (GRAP 103); or

(ii) water and minerals, oils and gas, and other non-regenerative resources that meet the definition of inventory (see GRAP 12).

.03 Living resources include living organisms, for example animals and plants that are used or held for:

- the delivery or provision of goods and services;
- research;
- conservation;
- recreation;
- agricultural activities;
- education or training; and
- rehabilitation or breeding purposes.

.04 GRAP 27 applies to biological assets other than bearer plants and agricultural produce which is the harvested 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 paragraphs .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.

.06 In undertaking the activities in paragraph .03, an entity may decide to store and/or preserve for future use, some of the resources that are not being used at present, for example seeds and dried plants. As these resources will be used in an entity's operations at a future date, reference should be made to the applicable Standard of GRAP for guidance on how to account for the resources while they are stored and/or preserved, based on the entity's reason for storing and/or preserving the resource for use at a future date.

.07 Similarly, where an entity holds plants that it intends to sell, use, or distribute in the ordinary course of its operations, which may be incidental rather than a key activity undertaken by the entity, the entity should apply the applicable Standard of GRAP in accounting for these living resources based on the reason for holding the resource.

Definitions

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

<u>Agricultural activity</u> is the management by an entity of the biological transformation and harvest of biological assets for:

(i) sale;

(ii) distribution at no charge or for a nominal charge; or

(iii) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A <u>bearer plant</u> 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).

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Carrying amount (for purposes of this Standard) is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Cost (for purposes of this Standard) is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or development and, where applicable, the amount attributed to the asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is:

- ***the period over which an asset is expected to be available for use by an entity; or***
- ***the number of production or similar units expected to be obtained from the asset by an entity.***

Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

Non-living resources

.09 The definition of non-living resources includes land, and water, minerals, oils and gas and other non-regenerative resources which have not been extracted. The principles in this Standard do, however, not apply to land and extracted water, minerals, oils and gas and other non-regenerative resources.

.10 At the point of extraction, non-living resources such as water, minerals, oils and gas and other non-regenerative resources, no longer occur in their natural state and do not meet the definition of a non-living resource. The entity should apply judgement to determine when extraction occurs, and when these resources do not meet the definition of non-living resources.

Water

.11 Water that is found in its natural state, such as in rivers, dams, streams, lakes, boreholes, and the sea meets the definition of a non-living resource. From time to time an entity may intervene as part of its mandate or service delivery objective. For example, an entity may undertake measures to ensure that the quality of the water in rivers and dams is maintained. This will not result in a change in the water's natural state, and the definition of a non-living resource is therefore still met.

.12 Determining whether water meets the definition of a non-living resource is not only influenced by the structure in which water is held, but also by the occurrence of an action whereby the water is extracted. The process of extraction involves human intervention, which impacts when the water should be recognised as inventory by the entity in terms of GRAP 12. However, the point of extraction may vary depending on the infrastructure in place.

Minerals, oils and gas and other non-regenerative resources

.13 Where an entity has identified, through exploration, that land contains deposits of minerals, oil and gas, or other non-regenerative resources, these resources meet the definition of a non-living resource only when they have not been extracted. Where these resources have been extracted, the principles in GRAP 12 should be applied. Another Standard of GRAP may be applicable if, for example, an entity undertakes exploration for research purposes. In such instances, the entity may conclude that the principles in GRAP 17 may be applied to account for the minerals based on its reason for holding the resources.

Recognition

Non-living resources

.14 Non-living resources, other than land, shall not be recognised as assets. Instead, information as required in paragraphs .114 to .116 shall be disclosed in

the notes to the financial statements.

Living resources

.15 A living resource shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and

(b) the cost or fair value of the asset can be measured reliably.

Assessing if a living resource is an asset

.16 The definition of an asset is met if the living resource is controlled by the entity, as a result of past events, and from which future economic benefits or service potential is expected to flow to the entity.

.17 Control of a living resource may be evidenced:

(a) by legislation or similar means, where the entity is granted control of an asset to meet its service delivery objectives;

(b) through an acquisition;

(c) due to a non-exchange transaction, for example through a donation or reproduction which results in off-spring.

.18 To demonstrate control, the entity needs to control the right or access to future economic benefits or service potential of the resource. To assess whether the entity controls the living resource, the following indicators can be applied individually, or in combination, to conclude that control exists:

- The intervention by an entity in the management of the physical condition of the living resource.
- The ability to restrict the movement of the living resource.
- The ability to direct the use of the living resource.

.19 The list of indicators is not exhaustive. An entity may need to consider other indicators and apply professional judgement in assessing whether control exists, and the definition of an asset, is met. In addition, not all indicators are applicable in all circumstances.

.20 An entity re-assesses its initial assessment of control of a living resource when the purpose for which it holds the living resource, changes. For example, when buffalo in a conservation area are moved to a restricted area for research purposes, the entity's initial assessment of control needs to be re-assessed based on the change in use.

The intervention by an entity in the management of the physical condition of the living resource

.21 An entity manages the physical condition of a living resource, for example, by taking care of its nutrition, health, reproduction and the environment in which it lives. For example, horses and dogs used by the police force, defence force and customs are provided with shelter, medical attention and are otherwise cared for so that they are able to perform their respective duties.

.22 Other factors that could be considered by an entity to assess the intervention in the management of the physical condition of the living resource are:

- the level at which a detailed feeding plan is set up;
- the level at which reproduction is managed; and/or
- the level at which accurate records of the resource are maintained.

.23 An entity may hold resources to meet its mandate in acting as custodian to conserve the resources entrusted to it. When the entity is in terms of its mandate expected to manage and/or conserve the environment as a whole, it does not manage the physical condition of each individual animal or plant within that environment. As a result, the entity may conclude that it does not control these living resources.

.24 An entity's ability to manage the physical condition of a living resource may be limited by legislation or similar means. For example, if a drought impacts an area but legislation limits the entity's ability to intervene and provide relief to the living resources in that area, or when legislation allows an entity to only intervene when there is a severe threat to the living resource, such as when a fire may destroy the fauna and flora in a national park, the entity is likely to conclude that it does not control the individual living resources.

.25 When an entity undertakes maintenance activities, for example burning the veld in a conservation area, or cutting the grass and pruning the trees in a botanical garden, these activities do not impact the entity's assessment of control of the living resource. On-going maintenance is not intervening in the management of the physical condition, but is part of an entity's on-going duties and responsibilities.

The ability to restrict the movement of the living resource

.26 When an entity is able to restrict the movement of a living resource it would be an indication that the entity controls the resource. For example, an animal's ability to move is restricted when it is caged, held for rehabilitation, or where animals or plants are held for research or education. In contrast, where an entity restricts the access or movement to a specified area, the entity is unlikely to demonstrate control of the individual animal. For example, animals in a conservation area may jump over, or burrow under fences. In addition, fences with neighbouring conservation areas are often removed to allow animals to migrate.

Ability to direct the use of the living resource

.27 If an entity has the ability to direct the use, including directing the disposal of a living resource and restricting the access of others to the resource, it is an indicator of control.

.28 Where an entity is restricted from disposing of, or trading in, particular species of living resources, it may still conclude that it controls the resources. This is because the entity has the ability to direct the use of the living resource to provide services, or has the ability to employ the resource in other ways. The entity can still decide how, and by whom the living resource can be used, irrespective of the restriction on disposal.

.29 If an entity is required in terms of legislation or similar means to manage a living resource, but it does not meet the definition of an asset because control of the resource cannot be demonstrated, information as required by paragraphs .114, .115 and .126 shall be disclosed in the notes to the financial statements.

.30 If an entity holds a living resource that meets the definition of an asset, but which does not meet the recognition criteria in paragraph .15(b), information as required by paragraphs .114, .115 and .126 shall be disclosed in the notes to the financial statements. When the information about the cost or fair value of the living resource becomes available, the entity shall, from that date, recognise the living resource and apply the measurement principles in this Standard.

.31 Judgement needs to be applied to determine whether the entity is able to reliably measure the living resource. If the entity cannot measure the living resource reliably, for example, when a fair value does not exist due to the absence of a market, including one that prices transactions in monetary terms, the absence of an appropriate valuation technique, or because the range of possible fair values is so wide that there is no reliable measure, an asset should not be recognised. Instead, information as required in paragraphs .114, .115 and .126 should be disclosed.

.32 For example, where an endangered animal is born in captivity in a zoo, the entity may not be able to reliably measure the living resource in the absence of reliable market evidence or an acceptable valuation technique commonly used to price the new born. As a result, the new born animal should not be recognised as an asset, but information as required in paragraphs .114, .115 and .126 should be disclosed. However, if information becomes available as the animal matures, the entity should recognise the living resource as required in paragraph .15, and apply the measurement principles in this Standard to the resource from the date that information is available.

Measurement at recognition

.33 A living resource that qualifies for recognition as an asset shall be measured at its cost.

.34 Where a living resource is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

.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 paragraphs .37 to .39.

.36 For the purposes of this Standard, the measurement at recognition of a living resource acquired through a non-exchange transaction at its fair value, consistent with the requirement of paragraph .34, does not constitute a revaluation.

Elements of cost

.37 The cost of a living resource comprises:

(a) its purchase price, including import duties and non-refundable purchase taxes; and

(b) any costs directly attributable to bringing the living resource to the location and condition necessary for it to be capable of operating in the manner intended by management.

.38 Examples of directly attributable costs are:

(a) cost of employee benefits (as defined in the Standard of GRAP on *Employee Benefits*);

(b) training costs, for example, cost incurred to train a working dog;

(c) transport or similar costs, for example, the relocation of trees from one botanical garden to another botanical garden;

(d) veterinary and other professional fees; and

(e) other transaction costs.

.39 Examples of costs that are not included in the carrying amount are:

(a) costs of conducting operations in a new location, including costs to train staff;

(b) research related costs that are incurred or undertaken; and

(c) administration and other general overhead costs.

Subsequent costs

.40 Under the recognition principles in paragraph .15, the entity does not recognise in the carrying amount of a living resource the day-to-day costs, or the costs to maintain or to hold the living resource. Day-to-day costs are those costs incurred by an entity to manage the qualitative and quantitative changes of the biological transformation. Depending on its reason for holding the living resource, the entity assesses whether the costs incurred are day-to-day operating costs, or whether the incurred costs will enhance the future economic benefits or service potential of the resource. For example the day-to-day costs incurred to feed police dogs and horses, are expensed in the period incurred, while training costs incurred to enhance their service capacity may need to be capitalised.

.41 Subsequent cost incurred can only be recognised in the carrying amount of the living resource if the recognition criteria in paragraph .15 are satisfied.

Research related costs

.42 Living resources comprise resources that are held for research, for example animals and plants used in testing facilities or laboratory animals. The principles in the Standard of GRAP on *Intangible Assets* (GRAP 31) indicate that during the research phase of an internal project, expenditure incurred as part of the research project should be recognised as an expense, because the entity cannot demonstrate that an asset exists that will generate future economic benefits or service potential. The principles in GRAP 31 are applied to assess whether costs incurred for research activities should be recognised as research or development costs. The living resource should, however, still be accounted for in terms of this Standard.

Measurement of cost

.43 The cost of a living resource is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is recognised in the carrying amount of the item in accordance with the allowed alternative treatment in the Standard of GRAP on *Borrowing Costs.*

.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.

.45 The fair value of an asset for which comparable market transactions do not exist is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that asset or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If an entity is able to reliably determine the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure the cost of the asset received. This applies unless the fair value of the asset received is more clearly evident.

Measurement after recognition

.46 When an entity intends to hold a living resource for less than twelve months from the reporting date, it shall apply the principles in GRAP 12 to account for the living resource.

.47 Where an entity intends to hold a living resource for more than twelve months from the reporting date, it shall apply the principles in this Standard and choose as its accounting policy either the cost model in paragraph .48, or the revaluation model in paragraph .49, and shall apply that policy to an entire group of living resources.

Cost model

.48 After recognition as an asset, a group of living resources shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Revaluation model

.49 After recognition as an asset, a group of living resources, whose fair value can be measured reliably, shall be carried at a revalued amount, which is its fair value at the date of the revaluation less any accumulated depreciation and accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. The accounting treatment for revaluations is set out in paragraphs .59 to .73.

Determining fair value

.50 The fair value of a living resource is the price at which the living resource could be exchanged between knowledgeable, willing parties in an arm’s length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances, such as special considerations or concessions granted by anyone associated with the exchange.

.51 An entity determines fair value without any deduction for transaction costs it may incur on sale or other disposal.

.52 The definition of fair value refers to “knowledgeable, willing parties”. In this context, “knowledgeable” means that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the living resources, their actual and potential uses, and market conditions at the date of the revaluation. A willing buyer is motivated, but not compelled, to buy. Such a buyer is neither over-eager nor determined to buy at any price. The assumed buyer would not pay a higher price than a market comprising knowledgeable, willing buyers and sellers.

.53 A willing seller is neither an over-eager nor a forced seller, prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in current market conditions. The willing seller is motivated to sell the living resource at market terms for the best price obtainable. The factual circumstances of the actual living resource are not a part of this consideration because the willing seller is a hypothetical owner.

.54 The definition of fair value refers to an arm's length transaction. An arm's length transaction is one between parties that do not have a particular or special relationship that makes prices of transactions uncharacteristic of market conditions. The transaction is presumed to be between unrelated parties, each acting independently.

.55 The fair value of a living resource is usually its market value determined by appraisal. For many living resources, the fair value will be readily ascertainable by reference to quoted market prices in an active and liquid market. An appraisal of the value of the asset may be undertaken by a member of the valuation profession who holds a recognised and relevant professional qualification or by another expert with the requisite competence to undertake such appraisals in accordance with the requirements of the applicable Standards of GRAP. The valuer or other expert may be employed by the entity.

.56 The existence of published price quotations in an active market is the best evidence of the fair value, such as the quoted price from recent auctions published in local newspapers. When an entity uses quoted prices from recent auctions, it may need to apply judgement to make adjustments to exclude certain costs to reflect a fair value. For example, the entity may need to adjust the quoted price for costs included in relation to transport and costs incurred to undertake medical examinations prior to the auction.

.57 Where an entity is restricted from disposing or trading particular species of living resources, an entity is not precluded from determining the fair value of the living resource.

.58 Where no evidence is available to determine the market value in an active market of a living resource, a valuation technique may be used to determine its fair value. Valuation techniques include using:

(a) recent transaction prices between knowledgeable, willing parties, if available, provided that there has not been a significant change in economic circumstances between the date of that transaction and the reporting date;

(b) market prices for similar living resources that have substantially similar characteristics and are used or held under similar circumstances, with appropriate adjustments to reflect specific differences in circumstances; and

(c) sector benchmarks that are based on information from an active market, and that are updated on a regular basis.

If there is a valuation technique commonly used by market participants to price such a resource, and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity may use that technique in determining the fair value.

The revaluation model

.59 The frequency of revaluations depends upon the changes in the fair values of the living resources being revalued. When the fair value of a revalued living resource differs materially from its carrying amount, a further revaluation is required. Some living resources experience significant and volatile changes in fair value, thus necessitating annual revaluation. For example, more frequent valuations may be required for an immature animal, until it reaches maturity where after fewer valuations may be needed.

.60 When a living resource is revalued, the carrying amount of that living resource is adjusted to the revalued amount. 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 with the revaluation of the carrying amount of the living resource. 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

(b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amount of the adjustment 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.

.61 If a living resource is revalued, the entire group of living resources to which that resource belongs, shall be revalued.

.62 A group of living resources is a grouping of assets of a similar nature or function in an entity's operations. The following are examples of separate groups:

(a) Similar groups of reptiles, for example alligators and Nile crocodiles.

(b) Similar groups of amphibians, for example frogs.

(c) Similar groups of mammals, for example lions and cheetahs.

(d) Similar groups of plants, for example indigenous plants.

.63 Within the group of living resources, an entity can also distinguish between mature and immature living resources, if appropriate. The same type of living resource can therefore be grouped into mature and immature living resources depending on the resource's function in an entity's operations.

.64 When grouping living resources, an entity should take into account the nature and characteristics of those resources. Judgement, based on an entity's specific circumstances, is required in grouping living resources.

.65 Items within a group are revalued simultaneously to avoid selective revaluation of living resources and the reporting of amounts in the financial statements that are a mixture of costs and values at different dates. Nevertheless, a group of living resources may be revalued on a rolling basis provided that the revaluation of the group is completed within a short period, and provided that the revaluations are kept up to date.

.66 If the carrying amount of a living resource is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same living resource previously recognised in surplus or deficit.

.67 If the carrying amount of a living resource is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that living resource. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

.68 Some or all of the revaluation surplus included in net assets in respect of a living resource may be transferred directly to accumulated surpluses or deficits when it is derecognised. This may involve transferring some or the whole of the surplus when the living resource to which the surplus relates is retired or disposed of. Transfers from revaluation surplus to accumulated surpluses or deficits are not made through surplus or deficit.

.69 Guidance on the effects of taxes on revenue, resulting from the revaluation of a living resource, is recognised and disclosed in accordance with the International Accounting Standard® on *Income Taxes*.

Inability to determine fair value reliably

.70 If the fair value of a living resource can no longer be determined because market-determined prices or values are not available and alternative estimates of fair value are determined to be clearly unreliable, the carrying amount of the living resource shall be its revalued amount as at the date of the last revaluation by reference to market-determined prices or values that were determined based on alternative estimates, less any subsequent depreciation and subsequent

impairment losses. An entity shall measure the living resource using the cost model in paragraph .48 until the fair value of the living resource becomes available. The entity shall from that date measure the living resource at its fair value.

.71 When the entity is compelled, for the reason given in the previous paragraph, to measure a living resource at its cost less any accumulated depreciation and accumulated impairment losses, the entity should continue to account for each of the remaining living resources using the revaluation model.

.72 If an active market no longer exists for a revalued living resource, the entity needs to assess whether it might be impaired in accordance with the Standards of GRAP on *Impairment of Non-cash-generating Assets* (GRAP 21) and *Impairment of Cash-generating Assets* (GRAP 26).

.73 If the fair value of the living resource can be determined by reference to an active market at a subsequent measurement date, the revaluation model is applied from that date.

Depreciation

.74 Living resources shall be depreciated and the depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset, where appropriate.

.75 The depreciation charge for a period is usually recognised in surplus or deficit. However, sometimes, the future economic benefits or service potential embodied of the living resource is used in producing other assets. In this case, the depreciation charge constitutes part of the cost of the other asset and is included in its carrying amount. For example, the depreciation charge of those living resources that are used for research or development activities (see paragraph .42) may be included in the cost of an intangible asset recognised in accordance with GRAP 31.

Depreciable amount and depreciation period

.76 The depreciable amount of a living resource shall be allocated on a systematic basis over its useful life.

.77 An entity shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of a living resource have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3).

.78 In assessing whether there is any indication that the expected useful life of the living resource has changed, an entity considers the following indications:

(a) The use of the living resource has changed, because of the following:

(i) The entity has changed the manner in which the living resource is used.

(ii) The entity has made a decision to dispose of the living resource in a future reporting period(s) such that this decision changes the expected period over which the living resource will be used.

(iii) Legislation, government policy or similar means have been amended or implemented during the reporting period that have, or will, change the use of the living resource.

(iv) The living resource was idle or retired from use during the reporting period.

(b) The living resource is approaching the end of its previously expected useful life.

(c) There is evidence that the condition of the living resource improved or declined based on assessments undertaken during the reporting period.

(d) The living resource is assessed as being impaired in accordance with GRAP 21 and GRAP 26.

.79 In assessing whether there is any indication that the expected residual value of the living resource has changed, an entity shall consider whether there has been any change in the expected timing of disposal of the living resource, as well as any relevant indicators included in paragraph .78.

.80 The list of indicators in paragraphs .78 and .79 are not exhaustive. There may be other indications that the expected useful lives or residual values of the living resource has changed.

.81 The use of a living resource may have changed, or will change, based on a variety of events that occurred during the reporting period. These events are listed in paragraph .78(a). These events may also indicate that there has been a change in the residual value of the living resource.

(a) The entity has changed how the living resource is used in its operations, e.g. a living animal that was used for research purposes is now used for breeding.

(b) The entity decides to dispose of the living resource in a future reporting period (which includes its sale, or transfer to another entity) which affects the period over which the living resource will be used (as well as its residual value). For example, an entity previously agreed to replace a dog that performs inspection activities at airports every five years, but changes its policy during the year to replace these animals every seven years.

(c) Changes both external and internal to the entity can affect the useful lives of the living resource. Examples of these changes are listed below.

(i) External changes: New legislation prohibits research to be undertaken on certain animals which requires a change in the use of the living resource.

(ii) Internal changes: The entity institutes a policy to no longer undertake research on animals that are older than five years, which will result in a change of use for some living resources.

(iii) Internal changes: Due to the high cost of caring for certain living resources, for example lions held in a small wildlife park, the entity makes a decision to transfer these animals into a larger park.

(d) If the living resource is not used during the reporting period or is taken out of active use. For example when a police horse is not used for policing services for a period of time due to illness, the useful life may need to be reconsidered.

.82 An entity should assess whether there is any indication that the expected useful life of the living resource has changed based on whether the condition of the resource has improved or declined. This is based on any condition assessments undertaken by the entity on its living resources during the reporting period. Any information available from any condition assessments undertaken during the reporting period should be used to assess whether the useful life of particular assets should be changed. For example, an entity decides to use a police dog, that was injured on duty and which was partially rehabilitated, for fewer policing activities after assessing its condition following its rehabilitation.

.83 In assessing whether the condition of the living resource has improved or declined, the stage of the living resource's lifecycle needs to be considered. As living resources mature, changes in their lifecycle and useful life are expected. Only where a decline in the condition is above what is expected, would a thorough analysis of the impact on the useful life of the living resource be required. The same applies if the living resource is in a better condition than expected.

Useful life

.84 The useful life of a living resource is defined in terms of the expected utility to the entity. The living resource management policy of the entity may require the disposal of the living resource after a specified time or after consumption of a specified proportion of the future economic benefits or service potential embodied in the living resource. Therefore, the useful life of the living resource may be shorter than its economic life.

.85 The future economic benefits or service potential embodied in an asset are consumed by an entity principally through its use. The following factors should be considered in determining the useful life of the living resource:

(a) expected usage of the living resource. Usage is assessed by reference to the expected capacity of the living resource or physical output;

(b) the typical life cycle of the living resource and public information or industry guidelines or norms on estimates of useful lives of similar assets that are used in a similar way; and

(c) the period of control of the living resource and legal or similar limits on the use of the living resource.

.86 The estimation of the useful life of the living resource is a matter of judgement based on the experience of the entity and/or industry norms with similar resources. An entity considers all facts and circumstances in estimating the useful lives of the living resources, which includes consideration of financial, technical and other factors.

Depreciable amount

.87 Depreciation is recognised even if the fair value of the living resource exceeds its carrying amount, as long as the residual value of the living resource does not exceed its carrying amount.

.88 The depreciable amount of a living resource is determined after deducting its residual value. The residual value of the living resource may, however, be insignificant and therefore immaterial in the calculation of the depreciable amount.

.89 The residual value of a living resource may increase to an amount equal to or greater that the asset's carrying amount. If it does, the depreciation charge for the living resource is zero unless and until it's residual value subsequently decreases to an amount below its carrying amount.

Depreciation

.90 Depreciation of a living resource begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of a living resource ceases at the date that the asset is derecognised. Therefore, depreciation does not cease when the living resource becomes idle or is retired from active use. However, under usage methods of depreciation the depreciation charge can be zero while there is no production. An entity should apply judgement to determine when, and at what point in the living resource's life cycle, it will be available for use.

Depreciation method

.91 The depreciation method used shall reflect the pattern in which the future economic benefits or service potential of the living resource is expected to be consumed by the entity.

.92 The depreciation method applied to a living resource shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the living resource, the method shall be changed to reflect the

changed pattern. Such a change shall be accounted for as a change in an accounting estimate in accordance with GRAP 3.

.93 The depreciation methods that can be used to allocate the depreciable amount of the living resource on a systematic basis over its useful life include the straight-line method and the diminishing balance method. Straight-line depreciation results in a constant charge over the useful life if the residual value of the living resource does not change, while the diminishing balance method results in a decreasing charge over the useful life.

.94 The entity selects the method that most closely reflects the expected pattern of consumption of the future economic benefits or service potential embodied in the living resource. That method 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.

.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.

Impairment

.95 An entity shall assess at each reporting date whether there is an indication that the living resource may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the living resource.

.96 To determine whether a living resource is impaired, an entity applies GRAP 21 and GRAP 26, as appropriate. These Standards explain how an entity reviews the carrying amount of its living resources, how it determines the recoverable amount or recoverable service amount of the living resource and when it recognises, or reverses the recognition of, an impairment loss.

.97 A plan to dispose of a living resource before the previously expected date is an indicator of impairment, which requires the calculation of the living resource's recoverable amount or recoverable service amount for the purpose of determining whether the living resource is impaired.

Compensation for impairment

.98 Compensation from third parties for living resources that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

.99 Impairments or losses of living resources, related claims for or payments of compensation from third parties and any subsequent purchase or replacement of the living resource, are separate economic events that are accounted for separately as follows:

(a) Impairments of a living resource are recognised in accordance with GRAP 21 and GRAP 26.

(b) Derecognition of a living resource retired, disposed of, or when it can no longer be used to provide the service as intended, is determined in accordance with this Standard.

(c) Compensation from third parties for a living resource that has been impaired, lost, or given up is included in determining surplus or deficit when it becomes receivable.

Transfers

.100 Transfers from living resources shall be made when, and only when, the particular asset no longer meets the definition of a living resource and/or is no longer within the scope of this Standard.

.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 in accordance with GRAP 17 or GRAP 27 depending on whether the definition of a bearer plant is met.

.102 Transfers to living resources shall be made when, and only when, the asset meets the definition of a living resource.

.103 In some instances, the classification of an asset may change when the definition of a living resource is met. Changed circumstances may result in a transfer from inventory, property, plant or equipment or agriculture because the asset now meets the definition of a living resource.

.104 Paragraphs .105 to .109 apply to the recognition and measurement issues that arise when the entity uses the revaluation model for living resources. When the entity uses the cost model, transfers between living resources, property, plant and equipment, inventory or from an agricultural activity do not change the carrying amount of the living resource transferred, and they do not change the cost of the living resource for measurement or disclosure purposes.

.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.

.107 The entity recognises any impairment losses that have occurred up to the date when a living resource becomes an item of property, plant and equipment. The entity depreciates the asset and recognises any impairment losses that have occurred up to the date when an item of property, plant and equipment becomes a living resource at a revalued amount. The entity treats any difference at that date between the carrying amount of the living resource to be transferred and its fair value in the same way as a revaluation in accordance with the principles of this Standard, or in accordance with the principles in the applicable Standard of GRAP relating to that living resource, as appropriate. In other words:

(a) any resulting decrease in the carrying amount of the living resource is recognised in surplus or deficit. To the extent, however, that an amount is included in revaluation surplus for that living resource, the decrease is charged against that revaluation surplus; and

(b) any resulting increase in the carrying amount is treated as follows:

(i) To the extent that the increase reverses a previous impairment loss for that living resource, the increase is recognised in surplus or deficit. The amount recognised in surplus or deficit does not exceed the amount needed to restore the carrying amount to that which would have been determined (net of depreciation) had no impairment loss been recognised.

(ii) Any remaining part of the increase is credited directly to net assets in the revaluation surplus.

.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.

.109 ***For a transfer from inventories or a biological asset to living resources at a revalued amount, any difference between the fair value of the living resource at that date and its previous carrying amount shall be recognised in surplus or deficit.***

Derecognition

.110 ***The carrying amount of a living resource shall be derecognised:***

(a) on disposal (including disposal through a non-exchange transaction); or

(b) when no future economic benefits or service potential are expected from its use or disposal.

.111 ***The gain or loss arising from the derecognition of a living resource shall be included in surplus or deficit when the item is derecognised.***

.112 The disposal of a living resource may occur in a variety of ways (e.g. by sale or through a non-exchange transaction). In determining the date of disposal of a living resource, the entity applies the criteria in the Standard of GRAP on *Revenue from Exchange Transactions* (GRAP 9), for recognising revenue from the sale of goods.

.113 The consideration receivable on disposal of a living resource is recognised initially at its fair value. If payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue in accordance with GRAP 9 reflecting the effective yield on the receivable.

Disclosure

Disclosure of living and non-living resources

.114 ***Where the entity acts as a custodian of a living or non-living resource, or group of living or non-living resources, other than land, the entity shall explain the nature of its custodial responsibility, including the legislation or similar means that establishes the custodial responsibility over the resources, in its financial statements.***

.115 If the information required in paragraph .114 is included in other public documents issued in conjunction with the financial statements, a cross reference to those documents can be included in the notes to the financial statements.

Disclosure of non-living resources

.116 ***The entity shall include a description of the following for each group of non-living resources, other than land, in its financial statements:***

(a) the nature and types of non-living resources for which the entity is responsible;

(b) any liabilities and/or contingent liabilities that arise from the non-living resources; and

(c) if it is not disclosed separately on the face of the statement of financial performance, the amount of compensation from third parties for non-living resources or groups of non-living resources that were given up that is included in surplus or deficit.

Disclosure of living resources

.117 The entity shall disclose the following, for each class of living resource recognised in the financial statements:

(a) the measurement bases used for determining the gross carrying amount;

(b) the depreciation method used;

(c) the useful lives or the depreciation rates used;

(d) the gross carrying amount aggregated with accumulated depreciation and accumulated impairment losses at the beginning and end of the period;

(e) a reconciliation of the carrying amount at the beginning and end of the period showing:

(i) increases due to purchases;

(ii) increases due to resources acquired through non-exchange transactions;

(iii) decreases due to sale;

(iv) decreases due to death;

(v) decreases due to distributions through non-exchange transactions;

(vi) decreases due to harvest;

(vii) increases as a result of a transfer of functions between entities under common control, a transfer of functions between entities not under common control or a merger;

(viii) increases or decreases resulting from revaluations under paragraphs .66 and .67 and from impairment losses recognised or reversed directly in net assets in accordance with GRAP 21 and GRAP 26, as appropriate;

(ix) impairment losses recognised in surplus or deficit in accordance with GRAP 21 and GRAP 26, as appropriate;

(x) ***impairment losses reversed in surplus or deficit in accordance with GRAP 21 and GRAP 26, as appropriate;***

(xi) ***depreciation;***

(xii) ***the net exchange differences arising from the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and***

(xiii) ***other changes.***

.118 When it provides useful and relevant information to users, an entity shall disclose information on living resources that are borrowed from, or on loan to other entities.

.119 The entity shall also disclose the following for each group of living resources recognised in the financial statements:

(a) ***the existence and carrying amounts of living resources or groups of living resources whose title is restricted, and the carrying amounts of living resources or groups of living resources pledged as security for liabilities;***

(b) ***the nature and extent of restrictions on the entity's use or capacity to sell living resources or groups of living resources;***

(c) ***the amount of contractual commitments for the development, disposal or acquisition of living resources or groups of living resources; and***

(d) ***if it is not disclosed separately on the face of the statement of financial performance, the amount of compensation from third parties for living resources or groups of living resources that were impaired, lost or given up that is included in surplus or deficit.***

.120 Living resources shall be presented as a separate line item on the face of the statement of financial position.

.121 In accordance with GRAP 3, an entity discloses the nature and effect of a change in an accounting estimate in the current period or subsequent periods.

.122 If a group of living resources is stated at revalued amounts, the following shall be disclosed:

(a) ***the effective date of the revaluation;***

(b) ***the method used to determine the fair value of the living resource;***

(c) ***the significant judgements, assumptions applied in estimating the fair value of the living resource;***

(d) ***the extent to which the fair value of the living resource was determined directly by reference to observable prices in an active market or recent***

market transactions on arm's length terms, or were estimated using other valuation techniques, and any significant adjustments made (if any) to determine the fair value; and

(e) the amount of the revaluation surplus that relates to the living resource at the beginning and end of the reporting period, indicating the changes during the reporting period and any restrictions on the distribution of the balance to the owners of the net assets.

.123 In accordance with GRAP 21 and GRAP 26, as appropriate, an entity discloses information on impaired living resource in addition to the information required by paragraphs .117(e)(ix) to (x).

.124 In the cases referred to in paragraph .70, when an entity measures a living resource or a group of living resources using the cost model, the reconciliation required by paragraph .117 shall disclose amounts relating to that living resource or a group of living resources separately from amounts relating to other living resources or groups of living resources. In addition, an entity shall disclose:

(a) a description of the living resource or the group of living resources;

(b) an explanation why fair value cannot be determined reliably;

(c) on disposal of the living resource or the group of living resources:

(i) the fact that the entity has disposed of the living resource or the group of living resources;

(ii) the carrying amount of that living resource or group of living resources at the time of sale; and

(iii) the amount of gain or loss recognised.

.125 If the fair value of the living resource or the group of living resources previously measured at cost less any accumulated depreciation and accumulated impairment losses becomes reliably measurable during the current period, an entity shall disclose for those living resources or groups of living resources:

(a) a description of the living resource or the group of living resources;

(b) an explanation why fair value has become reliably measurable; and

(c) the effect of the change.

.126 When an entity does not recognise a living resource, or a group of living resources as a result of the definition of an asset not being met or as a result of the recognition criteria in paragraph .15(b) not being met, the entity shall disclose the following for each living resource or group of living resources:

(a) a description of the nature and type of the living resources or group of living resources;

(b) ***key judgements made and assumptions applied to conclude that the definition of an asset is not met and the reasons why the recognition criteria are not met for the living resource or the group of living resources. These disclosures may be made in total, individually, or for groups of living resources to provide relevant information to the users of the financial statements for accountability and decision-making purposes; and***

(c) ***on disposal of the living resource or a group of living resources, the compensation received and the amount recognised in the statement of financial performance, if not disclosed elsewhere.***

Transitional provisions

Initial adoption of the Standards of GRAP

.127 The transitional provisions to be applied by entities on the initial adoption of this Standard are prescribed in a directive(s). The provisions of this Standard shall be read in conjunction with each applicable directive.

Effective date

Initial adoption of the Standards of GRAP

.128 An entity shall apply this Standard 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, Act No. 1 of 1999, as amended.

Appendix A – Consequential amendments to other Standards of GRAP

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

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

Amendments to the Standard of GRAP on *Presentation of Financial Statements*

Paragraph .79 was amended and paragraph .85A was added as follows:

.79 ***As a minimum, the face of the statement of financial position shall include line items that present the following amounts:***

(a) ***property, plant and equipment;***

(b) ***investment property;***

(c) ***intangible assets;***

(d) ***heritage assets;***

(e) ***financial assets (excluding amounts shown under (e), (g), (h) and (i));***

(f) ***investments accounted for using the equity method;***

(g) ***inventories;***

(h) ***biological assets that form part of an agricultural activity;***

<u>(h)A</u> ***<u>living resources;</u>***

(i) ***receivables from non-exchange transactions (taxes and transfers);***

(j) ***receivables from exchange transactions;…***

.85A ***<u>Paragraph .79 was amended by the Standard of GRAP on Living and Non-living Resources issued on DDMMYYY. An entity shall apply these amendments retrospectively for annual financial periods beginning on or after DDMMYYY. If an entity elects to apply these amendments earlier, it shall disclose this fact.</u>***

Amendments to the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*

Paragraph .19 was amended and paragraph .57A was added as follows:

.19 ***The initial application of a policy to revalue assets in accordance with the Standard<u>s</u> of GRAP on Property, Plant and Equipment<u>,</u> ~~or the Standard of GRAP on~~ Intangible Assets<u>,</u> ~~the Standard of GRAP on~~ Heritage Assets <u>or Living and Non-living Resources</u> is a change in an accounting policy to be***

dealt with as a revaluation in accordance with the <u>applicable</u> Standard of GRAP ~~on Property, Plant and Equipment or the Standard of GRAP on Intangible Assets or the Standard of GRAP on Heritage Assets, rather than in accordance with this Standard~~.

.57A ***<u>Paragraph .19 was amended by the Standard of GRAP on Living and Non-living Resources issued on DDMMYYY. An entity shall apply these amendments retrospectively for annual financial periods beginning on or after DDMMYYY. If an entity elects to apply these amendments earlier, it shall disclose this fact.</u>***

Amendments to the Standard of GRAP on *Inventories*

Paragraph .02 was amended and paragraphs .02A, .50A and .54A were added as follows:

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

(a) ***work-in-progress arising under construction contracts, including directly related service contracts (see the Standard of GRAP on Construction Contracts);***

(b) ***financial instruments (see the Standard of GRAP on Financial Instruments)*****;**

(c) ***biological assets related to agricultural activity and agricultural produce at the point of harvest (see the Standard of GRAP on Agriculture);***

<u>(c)A</u> ***<u>water that occurs naturally and which has not been extracted and minerals, oils and gas, and other non-regenerative resources which have not been extracted (see the Standard of GRAP on Living and Non-living Resources);</u>***

(d) ***work-in-progress of services to be provided through a non-exchange transaction directly in return from the recipients; …..***

.02A <u>This Standard does not apply to water that occurs naturally and which has not been extracted, and minerals, oils and gas, and other non-regenerative resources which have not been extracted. As soon as these resources are extracted, they no longer meet the definition of a non-living resource (see the Standard of GRAP on *Living and Non-living Resources*). Instead, an entity applies the principles in this Standard of GRAP to account for these extracted resources. An entity applies judgement to determine at what point the resource that is extracted, is within the scope of this Standard.</u>

.50A ***<u>An entity shall include a description of key judgements made and assumptions applied in its financial statements to explain at what point water, minerals, oils and gas and other non-regenerative resources meet the definition of inventory.</u>***

.54A ***<u>Paragraph .02 was amended, and paragraphs .02A and .50A were added by the Standard of GRAP on Living and Non-living Resources issued on DDMMYYY. An entity shall apply these amendments retrospectively for annual financial periods beginning on or after DDMMYYY. If an entity elects to apply these amendments earlier, it shall disclose this fact.</u>***

Amendments to the Standard of GRAP on *Investment Property*

Paragraph .04 was amended and paragraph .94A was added as follows:

.04 This Standard of GRAP does not apply to:

(a) biological assets related to agricultural activity (see the Standard of GRAP on *Agriculture*);

<u>(a)A living and non-living resources other than land (see the Standard of GRAP on *Living and Non-living Resources*);</u>

(b) mineral rights, ~~and mineral reserves such as oil, natural gas and similar non-regenerative resources~~;

(c) heritage assets (see the Standard of GRAP on *Heritage Assets*);…..

.94A ***<u>Paragraph .04 was amended by the Standard of GRAP on Living and Non-living Resources issued on DDMMYYY. An entity shall apply these amendments retrospectively for annual financial periods beginning on or after DDMMYYY. If an entity elects to apply these amendments earlier, it shall disclose this fact.</u>***

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

Paragraph .02 was amended and paragraph .92A was added as follows:

.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:***

(a) when a different accounting treatment has been adopted in accordance with another Standard of GRAP;

(b) biological assets related to agricultural activity (see Standard of GRAP on Agriculture);

<u>(b)A living and non-living resources other than land (see the Standard of GRAP on Living and Non-living Resources)</u>

(c) heritage assets (see Standard of GRAP on Heritage Assets);

(d) the recognition and measurement of exploration and evaluation assets (see the International Financial Reporting Standard® on Exploration for and Evaluation of Mineral Resources;

(e) mineral rights, ~~and mineral reserves such as oil, natural gas and similar non-regenerative resources~~; and...

.92A Paragraph .02 was amended by the Standard of GRAP on Living and Non-living Resources issued on DDMMYYY. An entity shall apply these amendments retrospectively for annual financial periods beginning on or after DDMMYYY. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Amendments to the Standard of GRAP on *Agriculture*

Paragraph .03 was amended and .10B and .57A were added as follows:

.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*);

(b) intangible assets related to agricultural activity (see the Standard of GRAP on *Intangible Assets*);

~~(c) biological assets held for the provision or supply of goods and/or services; and~~

(cA) living resources, other than those that are biological assets that are used in agricultural activities (see the Standard of GRAP on *Living and Non-living Resources*); and …

.10B Living resources as defined in the Standard of GRAP on *Living and Non-living Resources* can meet the definition of a biological asset in this Standard, but should only be accounted for in terms of this Standard if the living resource will be used to undertake agricultural activities.

.57A Paragraph .03 was amended and paragraph .10B was added by the Standard of GRAP on Living and Non-living Resources issued on DDMMYYY. An entity shall apply these amendments retrospectively for annual financial periods beginning on or after DDMMYYY. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Amendments to the Standard of GRAP on *Heritage Assets*

Paragraphs .02 and .05 were amended, paragraph .03 was deleted and paragraph .103A was added as follows:

.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), 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) or a merger (see the Standard of GRAP on Mergers); and

(b) ***biological assets related to agricultural activity (see the Standard of GRAP on Agriculture); and***

(bA) ***living and non-living resources other than land (see the Standard of GRAP on Living and Non-living Resources).***

~~.03 When an entity has a biological asset related to agricultural activity, it should consider whether the principles in the Standards of GRAP on *Inventory, Property, Plant and Equipment* or *Agriculture* apply.~~

.05 Illustrations of the range of assets that can be regarded as classes of heritage assets include the following:

(a) works of art, antiquities and exhibits such as preserved biological and mineral specimens or technological artifacts;

(b) collections of preserved insects, butterflies and fossils;

(c) collections of rare books, manuscripts, records, photographic positives and negatives and other reference material held by libraries to be preserved for their historical and cultural value;

(d) objects of scientific or technological interest;

(e) historical monuments, such as graves and burial grounds;

(f) archaeological and paleontology sites;

(g) land used for conservation areas, such as national parks;

(h) historical buildings that have a significant historical association;

(i) movable objects, such as military insignia, medals, coins, stamp collections or objects of decorative or fine art; and

(i) recreational parks used for leisure to be preserved for the benefit of present and future generations.

.103A Paragraph .02 was amended and paragraph .03 was deleted by the Standard of GRAP on Living and Non-living Resources issued on DDMMYYY. An entity shall apply these amendments retrospectively for annual financial periods beginning on or after DDMMYYY. If an entity elects to apply these amendments earlier, it shall disclose this fact.

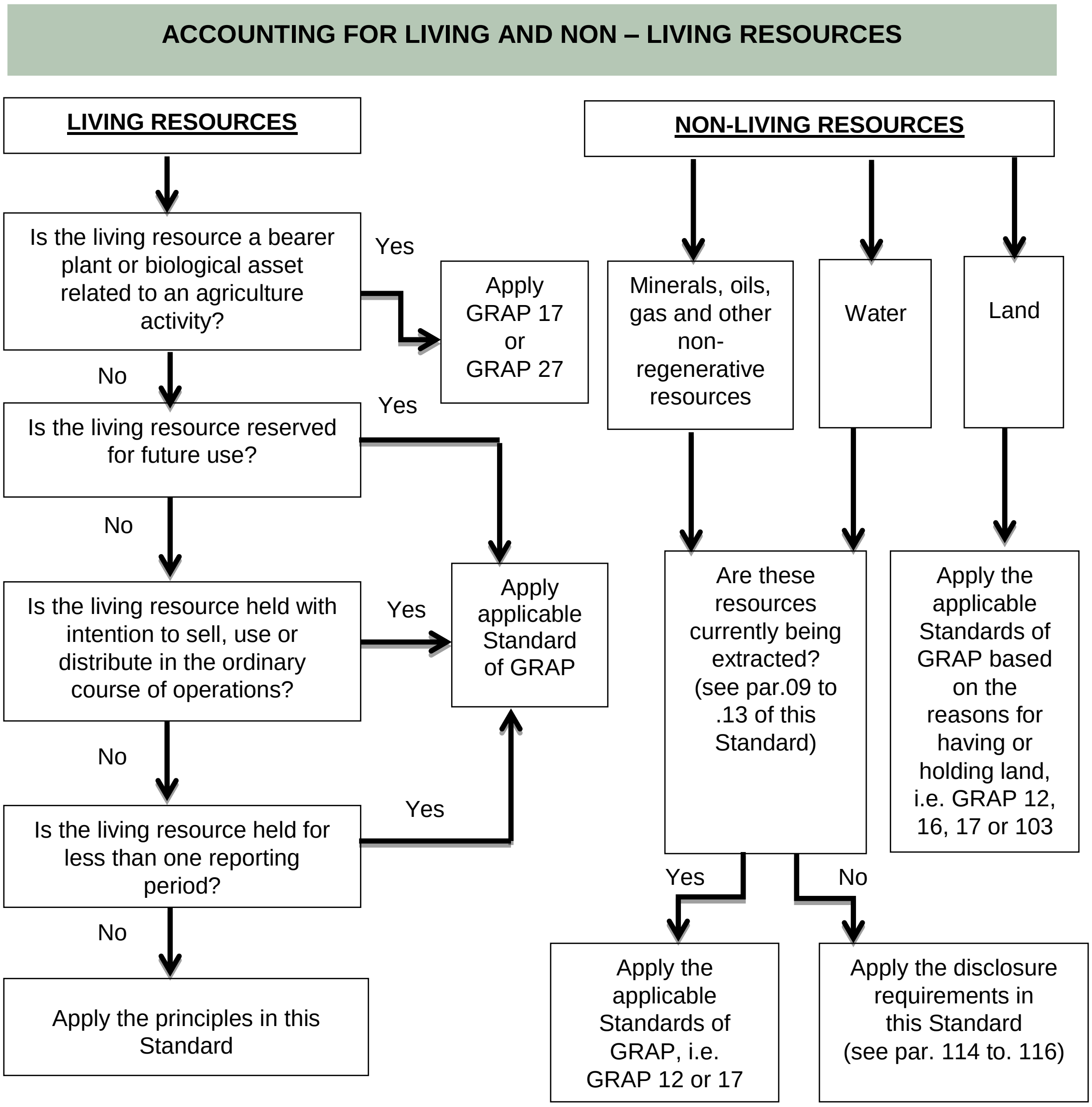
Amendments to the Directive on *Changes in Measurement Bases Following the Initial Adoption of Standards of GRAP*

Paragraph .05 was amended as follows:

.05 In applying paragraph 13(b) of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets, ~~or~~ heritage assets or living resources, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Appendix B – Decision tree

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



Basis for conclusions

This basis for conclusions gives the Accounting Standards Board's (the Board's) reasons for accepting or rejecting certain proposals related to the accounting for living and non-living resources. This basis for conclusions accompanies, but is not part of this Standard.

Background

BC1. This basis for conclusions summarises the Board's considerations in developing this Standard. In forming its views, the Board considered the views expressed by stakeholders on the Discussion Paper on *Accounting for Living and Non-living Resources* (Discussion Paper 10) issued in July 2014.

BC2. In developing this Standard of GRAP, the Board considered the principles in GRAP 12, GRAP 17, GRAP 27, and GRAP 103.

BC3. In South Africa, entities hold a wide range of resources that include living resources such as animals and plants, and non-living resources, such as water, land and minerals, oil and gas, and other non-regenerative natural resources. Some entities hold these resources to meet their mandate, while others are the custodian of these resources for the benefit of present and future generations.

BC4. As the accounting for living and non-living resources has a far-reaching effect on financial reporting in the public sector, the Board agreed to develop a Standard of GRAP to prescribe the accounting treatment for living and non-living resources. This Standard also sets out related disclosure requirements that users of the financial statements may find relevant in meeting their information needs for accountability and decision making purposes.

Scope of this Standard

Living resources

BC5. Discussion Paper 10 noted that living resources could also include human resources. GRAP 31 explains that even though an entity may have a team of skilled staff, and may be able to identify incremental staff skills leading to future economic benefits or service potential from training, the entity usually has insufficient control of the staff. As a result, Discussion Paper 10 excluded human resources from its scope.

BC6. Discussion Paper 10 also noted that sunlight and air are examples of non-living resources. An entity however has no way of controlling these resources and as a result, these resources were excluded from the scope of Discussion Paper 10.

BC7. Respondents to Discussion Paper 10 agreed with these scope exclusions, and as a result, this Standard does not apply to these resources.

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 is therefore wider than animals and plants that are in the scope of GRAP 17 or GRAP 27.

BC9. This Standard 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 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.

Non-living resources

BC10. The scope of this Standard includes water that is found in its natural state and has not been extracted, and minerals, oils and gas, and other non-regenerative resources which have not been extracted. The Board concluded that, as soon as the non-living resource is extracted it no longer meets the definition of a non-living resource.

BC11. The proposed definition of a non-living resource in Discussion Paper 10 included the notion of "human intervention". Human intervention includes positive actions that are undertaken by the entity to enable the use of the resource by the entity to meet its objectives. Even though respondents to Discussion Paper 10 supported the inclusion of "human intervention" in the proposed definition of a non-living resource, the Board agreed that for purposes of this Standard, reference should only be made to "extraction", as the process of extraction involves human intervention.

BC12. Respondents to Discussion Paper 10 required more guidance on when non-living resources are "extracted", and fall outside the scope of this Standard. The Board concluded that, as the process of extraction varies depending on the entity's objective in undertaking these actions, judgement needs to be applied to assess when a non-living resource is extracted.

BC13. This Standard therefore requires that, as soon as a non-living resource is extracted, the entity should assess if the definition of inventory, as defined in GRAP 12 is met. However, another Standard of GRAP may also be applicable, for example, GRAP 17 where an entity undertakes exploration for research purposes.

BC14. Respondents to the proposed Standard of GRAP on *Living and Non-living Resources* (ED 143) proposed that disclosures should be included in an entity's financial statements on the key judgements made, and assumptions applied by an entity to determine at what point extraction of the non-living resource takes place. The Board agreed to require the disclosure of such information. A change was made to GRAP 12 that requires an entity to explain its key judgements made and assumptions applied in determining at what point water, minerals, oils and gas and other non-regenerative resources meet the definition of inventory.

Recognition of non-living resources

BC15. In developing Discussion Paper 10, the Board noted that, when minerals, oil, gas, and other non-regenerative resources have not been extracted, an entity is unlikely to conclude that it controls such resources as it cannot manage the physical condition of these resources. The entity also does not have the ability to use these resources, or direct others to use them while they are un-extracted, as the entity cannot benefit from the service potential or future economic benefits embodied in these resources.

BC16. Due to the uncertainty that exists on the degree of geological estimations that need to be made about the quantity of un-extracted minerals, oil, gas, and other non-regenerative resources, the entity is also unlikely to reliably measure these non-living resources. Discussion Paper 10 therefore concluded that these non-living resources should not be recognised as assets.

BC17. A similar conclusion was made about water that is found in its natural state and/or condition before it is changed through human intervention. Water reduces or increases as a result of natural exposure, for example, evaporation or rainfall, or as a result of water in rivers and springs that flows into a water resource. The Board also noted that different circumstances exist with regards to extraction of water resources, and the point of extraction may vary depending on the infrastructure in place. Control is therefore unlikely to exist unless there has been human intervention.

BC18. This Standard therefore requires that non-living resources, other than land, should not be recognised as an asset on the entity's financial statements, but instead, relevant information should be disclosed in the notes to the financial statements.

BC19. Land meets the definition of a non-living resource but guidance on the recognition, measurement, presentation of land is included in a number of other Standards of GRAP. The Board concluded that the principles in GRAP 12, GRAP 16, GRAP 17 and GRAP 103 should be applied. The application of a particular Standard of GRAP will depend on the purpose for which the land is held, or is intended to be used.

Recognition and measurement of living resources

Living resources that are part of land

BC20. Discussion Paper 10 proposed that when plants and non-living resources such as water or minerals, oil, gas, and other non-regenerative are part of the land, they should be taken into account when the value of the land is determined.

BC21. Respondents to Discussion Paper 10 agreed with the proposal and conclusion by the Board, but requested the Board to extend this principle to animals, where it is concluded that these resources do not meet the definition of an asset, or because these resources cannot be reliably measured.

BC22. In reconsidering this proposal, the Board concluded that where a living resource is part of the land, a valuer may include these resources in the fair value of the land when an entity applies the fair value model or the revaluation model as a subsequent measurement basis. As it may not be possible in all instances to value the living resources on the land, the Board concluded that requiring that the fair value of the land reflect these resources in the valuation of the land, may be onerous.

BC23. When land is stated at revalued amounts, the valuer is required in terms of the applicable Standard of GRAP to disclose, amongst others, the significant judgements and assumptions applied in estimating the fair value of the land. These disclosures should also include the methodology and assumptions applied by the valuer in considering the value of any living and/or non-living resources included in the value of the land.

Indicators of control

BC24. For a living resource to meet the definition of an asset, an entity needs to demonstrate that it controls the resource, as a result of past events, and from which future economic benefits or service potential is expected to flow to the entity. During the development of Discussion Paper 10, the Board developed a number of indicators to assist entities to determine when it exercises control of the living resource.

BC25. Respondents to Discussion Paper 10 supported these indicators of control. Based on feedback received from respondents, the Board clarified that these indicators can be applied individually, or in combination, to lead the entity to conclude that it controls the living resource.

Elements of cost

BC26. This Standard requires that the cost of the living resource comprise any costs directly attributable to bringing the living resource to the location and condition necessary for it to be capable of operating in the manner intended by management. The Board concluded that an entity should apply judgement to determine when the resource will be capable of operating in the manner intended by management, as its decision will be impacted by the reason for which the living resource is used or held.

Subsequent measurement models

BC27. During the development of Discussion Paper 10, the Board concluded that fair value is the most appropriate measurement basis to subsequently account for living resources. As the fair value of the living resources will be determined based on how often the resources are subjected to significant and volatile lifecycle changes, any depreciation, or decreases in surplus or deficit from using or holding the resource, will be taken into account as part of the fair value assessment. It was therefore proposed that depreciation should not be considered as a subsequent measurement principle to account for living resources.

BC28. In response to Discussion Paper 10, respondents noted concerns in only applying fair value as a subsequent measurement basis. The Board agreed that more research should be conducted into the application of the cost method as a subsequent measurement basis.

BC29. After considering the additional research, the Board concluded that a more conceptual and broader approach should be adopted in developing the Standard on accounting for living resources. The Board agreed that entities should be allowed to use either the cost or the revaluation model in accounting for living resources, and that the principles in GRAP 17 should be used as a basis for the development of this Standard.

Depreciation

BC30. The Board also debated the relevance of the depreciation principles in accounting for living resources, as in many instances, the value of the resource will increase during its life cycle.

BC31. The Board concluded that because these resources are living, they have a finite useful life and should therefore be depreciated. Principles on depreciation are therefore included in this Standard to reflect the systematic allocation of the depreciable amount of the living resource over its useful life when used by an entity to generate future economic benefits or service potential.

Disclosure requirements for non-living resources

BC32. Following the Board's conclusion that non-living resources, other than land, should not be recognised as an asset by the entity, the Board proposed in Discussion Paper 10 that information should still be presented and disclosed to the users of the financial statements to meet their information needs for accountability and decision making purposes. Given the wide range of users, each with different information needs, the Board proposed in Discussion Paper 10 that disclosure requirements should be developed for non-living resources that meet the following objectives by providing information about:

- the nature of the non-living resources of the entity;
- the entity's role and responsibility in relation to the non-living resources;
- financial and other risks associated with the entity resulting from its responsibility to manage and preserve the non-living resource; and
- custodial responsibilities resulting from the entity's responsibility to manage and preserve the non-living resources.

BC33. Following comment received from respondents to ED 143, the Board agreed that, to provide useful information the users of financial statements, disclosures on the nature of an entity's responsibility as established in legislation or similar means, should be limited to the custodian. The Board also agreed that disclosures on risk management strategies and the entity's exposure to financial and other risk will be too onerous for inclusion in the financial statements. As a result, specific disclosures on these aspects were therefore not included in this Standard.

Additional consequential amendments related to this Standard included in the *Improvements to the Standards of GRAP (2016)*

BC34. The Board agreed to include additional consequential amendments related to this Standard in the final *Improvements to the Standards of GRAP (2016)*. The Board agreed that these improvements are not significant and substantive, and respondents have already considered, and supported, similar improvements made to other asset related Standards of GRAP during the due process to the Exposure Draft on Proposed *Improvements to the Standards of GRAP (2016).*