

Recognition and Derecognition of Land



Accounting Standards Board





Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.



Objective and scope

- Objective
 - To provide guidance on when an entity should recognise and derecognise land as its asset.
- Scope
 - Only applicable to land
 - Consider structures separately
 - Apply applicable GRAP to land once control is assessed



Assessing control of land

- Control is evidenced by rights and obligations arising from binding arrangement.

Binding arrangement:

- Confers rights and obligations on a party as it were in the form of a contract.
- Can be evidenced by:

A contract

Legislation, regulation or similar means

Operation of law (common law)



Assessing control of land

- Control is demonstrated by applying the following criteria:
 - Legal ownership and/or
 - Right to direct access to land and restrict or deny access of others to land
- Assess at each reporting date whether changes in binding arrangement impact assessment.



Legal ownership


- Legal ownership
 - Registered title deed holder
 - When land is transferred from one owner to another through legislation or similar means
- In absence of an entity demonstrating that it has granted a right to another entity to direct or deny access – legal owner controls the land.

Right to direct or restrict access

- Substance over form determines that land is controlled by entity that has right to direct or restrict access to land.
- Must be existing right even if entity has not exercised the right yet.
- To demonstrate right:
 - direct use of land FEB or SP
 - exchange, dispose of, transfer
 - use land in any other way to generate FEB or SP.



Right to direct or restrict access

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- Only substantive rights result in control
 - Analyse rights in binding arrangements to assess if “protective” or “substantive” in nature.



Right to direct or restrict access

- If no right to direct or restrict access, consider if rights of use exist & assess implications.
- When entity is granted a right to use land for period of time
 - Entity must have substantive right
 - Right needs to be for unlimited period of time
 - If not, account for right i.t.o GRAP 13 or another applicable Standard of GRAP.

Transitional provisions

- Prospective application to binding arrangements that exist on initial adoption
Adjustments → opening balance of accumulated surplus/deficit.
- Apply deemed cost if acquisition cost not known.
- Apply to all new arrangements relating to land.
- Effective date, 1 April 2019



Stakeholder outreach and communication



Outreach activities

- Continuous promotion of GRAP by improving outreach to stakeholders (workshops, meetings, seminars, SAICA webinars)
- Stakeholders should liaise with ASB when requiring any engagements
- Newsletters & Meeting Highlights
- Social media
- Handbook (order form available on website or on request)



Translation

- Standards translated into isiZulu, Sesotho and Afrikaans
- The official version is the English language version
- Available on website





Website

- Overview of changes made to Standards with effect from 1 April 2016.
- Three set of Standards:
 - Those entities with a December year-end
 - The Standards applicable for the current year
 - The Standards applicable for the next financial year
- Please register on website if you want to be advised of changes:

<http://www.asb.co.za/GRAP/Subscribe-to-email-alerts>





Submitting comments

Visit our website for more information
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Submit your comments to

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THANK YOU





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