

ED 176

Proposed Improvements to Standards of GRAP (2019)





Purpose of Exposure Draft

- Periodic revisions to Standards of GRAP undertaken every three years
- Effective GRAPs and/or GRAPs for which an effective date were determined by Minister of Finance
- Proposed improvements comprise changes resulting from:
 - amendments to IPSAS
 - amendments to IFRS Standards
 - general improvements





Deletion of Appendices

- Appendices outlining illustrative examples deleted in previous improvements projects
- Board agreed to delay deletion until next Improvements project
 - allow National Treasury time to update existing, and complete new GRAP Implementation Guidelines





Proposed improvements

- Improvements proposed to 10 Standards of GRAP and 1 Directive
- Transitional provisions included in each Standard
- Annexure to ED outlines all issues considered - explains why matters were not included in this ED
- Proposed effective date for improvements – 1 April 2021





GRAP 5 *Borrowing Costs*

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
 - clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded *until* activities necessary to prepare asset for intended use or sale are complete
- Prospective application





GRAP 13 *Leases*

- Operating leases & sale and lease back transactions are *currently* assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21
 - Leases entered into that are not on market terms
- Prospective application





GRAP 16 *Investment Property*

4 proposed improvements:

- #1 Clarify that GRAP 21 may be applied to assess investment property for impairment
 - leases not on market terms
 - #2 Include heading “Classification of property as investment property or owner-occupied property (par 6 and 7) → delete existing headings
- Prospective application (both amendments)





GRAP 16 *Investment Property*

#3 Investment property under construction (within scope of GRAP 16)

- Added heading (Guidance on initially measuring self-constructed investment property at fair value)
- Added clarification that investment property is measured at fair value at earliest of:
 - completion of construction or development; or
 - when fair value becomes reliably measurable
- Retrospective application





GRAP 16 *Investment Property*

- #4 Clarify requirements on transfers to and from IP
 - Change in use involves an assessment on whether:
 - property meets, or ceases to meet definition of investment property **and**
 - evidence exists that a change in use has occurred
 - List of examples of a change in use is regarded as non-exhaustive
- Prospective application but permitted to apply retrospective if hindsight not used





GRAP 17 *Property, Plant and Equipment*

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
 - land has an unlimited useful life and cannot be consumed through its use
- Retrospective application





GRAP 20 *Related Party Disclosures*

- GRAP 20 exempts disclosure of related party transactions where these occur within normal supplier and/or client/recipient relationship if no more or less favourable
 - certain narrative info about nature and related outstanding balances still required
 - amend GRAP 20 to no longer require disclosure of outstanding related party balances
- Retrospective application





GRAP 20 *Related Party Disclosures*

- Clarify that entity (or group of which entity is a part) providing management services to reporting entity (or controlling entity of reporting entity) → related party
 - disclose management fee paid or payable and other related transactions with management entity
 - management services = services where employees of management entity participates in strategic direction, financial and operating policy decision-making
- Retrospective application





GRAP 20 *Related Party Disclosures*

Specific matter for comment:

- Do you agree with explanatory guidance of what management services comprise?
- What practical implementation issues do you foresee with the introduction of this requirement?





GRAP 24 *Presentation of Budget Info in Fin Statements*

- Terminology amended
 - primary financial statements amended to “financial statements” or “face of the financial statements”
- Retrospective application





GRAP 31 *Intangible Assets*

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
 - Both under cost model or revaluation model
- Prospective application





GRAP 32 *Service Concession Arrangements: Grantor*

- Clarify disclosure requirement for service concession assets
 - disclose carrying amount of each material service concession asset recognised at the reporting date
- Retrospective application



GRAP 37 *Joint Arrangements*

- Application guidance clarified
 - when party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106) → previous held interest in joint operation are not remeasured





GRAP 106 *Transfer of Functions Between Entities Not Under Common Control*

- When party obtains control of joint operation *and* entity had rights to assets, or obligations to liabilities before acquisition date → comprise an acquisition received in stages
 - remeasure previously held interest in joint operation
- Apply to acquisitions for which acquisition date is on/ after reporting period in which improvements first applied





Directive 7 *Application of Deemed Cost*

- Clarify that bearer plants within scope of Directive
 - deemed cost can be determined for bearer plants





Comment deadline

- Comment due by **31 October 2019**
- Likely to be finalised in Q1 of 2020



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