



**ANALYSIS AND RESPONSES TO WRITTEN COMMENT  
RECEIVED ON**

**PROPOSED REVISION OF THE STANDARD OF ON  
FINANCIAL INSTRUMENTS**

**(ED 167)**

## **RESPONSES TO THE WRITTEN COMMENT RECEIVED ON THE PROPOSED REVISION OF THE STANDARD OF GRAP ON *FINANCIAL INSTRUMENTS* (ED 167)**

The Accounting Standards Board (Board) approved an Exposure Draft of the *Proposed Revision of the Standard of GRAP on Financial Instruments* (ED 167). Notice was published in the Government Gazette on 22 June 2018 (Notice 41722). The comment period closed on 7 December 2018.

Three comment letters were received from the respondents listed on the next page. Their comments are summarised in this document into general and specific matters and include the Board's responses to the comment received.

The proposed revisions were also discussed with stakeholders at workshops, roundtable discussions or other meetings. Comments received during these discussions are summarised in a separate document.

**CLASSIFICATION OF WRITTEN COMMENT RECEIVED ON THE PROPOSED REVISION  
OF THE STANDARD OF GRAP ON *FINANCIAL INSTRUMENTS* (ED 167)**

<b>No.</b>	<b>Name/Organisation</b>	<b>Total</b>	<b>Preparers</b>	<b>Users</b>	<b>Auditors</b>	<b>Other interested parties</b>
1.	City of Cape Town		X			
2.	SARS		X			
3.	Department of Treasury – Free State Province, including submissions from the following departments:					
	Sports, Arts Culture and Recreation		X			
	Police, Roads and Transport		X			
	Provincial Treasury			X		
	Education		X			
	Agriculture		X			
	Free State Development Corporation		X			

NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
1.	Scope of GRAP 104	
	<p><b><i>Financial guarantee contracts</i></b></p> <p>Financial guarantee contracts issued by an entity meet the definition of financial instruments and are in the scope of IFRS 9. In the past, the Board indicated that entities that issue financial guarantee contracts should apply GRAP 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i> to account for these arrangements. GRAP 19 was used given potential complexities that existed for their initial measurement at fair value.</p> <p>The Board amended its earlier decision as the approach in GRAP 19 resulted in some financial guarantee contracts being recognised and others being disclosed.</p> <p><b>Question 1</b></p> <p>(a) Do you agree that financial guarantee contracts issued by an entity should be treated as financial instruments within the scope of GRAP 104 (see paragraph 1.3(d), AG1.6 and AG5.24 to AG5.28)?</p> <p>(b) Do you agree that, if a reliable measure of fair value is not available for financial guarantee contracts issued in non-exchange transactions, they should be measured initially at their loss allowance?</p> <p><b><i>Loan commitments</i></b></p> <p>Loan commitments were previously recognised and/or disclosed in accordance with GRAP 19. IFRS 9 requires that loan commitments should be assessed for impairment using the expected credit loss model. When the loan is drawn down, impairment is assessed on both the drawn and undrawn components of the loan. As the approaches in IFRS 9 and GRAP 19 are incompatible the Board agreed to revisit the accounting for loan commitments. The Board proposes including loan commitments within the scope of GRAP 104. Where a loan commitment is issued in a non-exchange transaction and there is no reliable measure of fair value, the loss allowance is determined on initial recognition. If an entity commits to provide a concessionary loan, the initial measurement of the loan includes both the loss allowance plus any social benefit component. This amount is recognised in accordance with the <i>Framework for the Preparation and Presentation of Financial Statements</i>.</p> <p><b>Question 2</b></p> <p>(a) Do you agree that loan commitments issued by an entity should be treated as financial instruments within the scope of GRAP 104 (see paragraph 1.3(e) and 1.7)?</p>	

NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
	<p>(b) Do you agree that, if a reliable measure of fair value is not available for a loan commitment issued in non-exchange transactions, they should be measured initially at their loss allowance?</p> <p>(c) Do you agree that where an entity commits to provide a concessionary loan, the loan commitment should be measured initially at the loss allowance and any social benefit provided, and recognised in accordance with the <i>Framework for the Preparation and Presentation of Financial Statements</i>?</p> <p><b>Hedge accounting</b></p> <p>When GRAP 104 was originally issued, the Board considered whether guidance was needed on hedge accounting. As entities are restricted from entering into certain transactions in legislation or similar, the types of financial instruments entities may enter into are often not complex. The need for guidance on hedge accounting is therefore low.</p> <p>As a result, the Board initially agreed that to not provide guidance on hedge accounting in GRAP 104, and instead refer entities to the relevant private sector Standards.</p> <p>Based on preliminary feedback from stakeholders, there was no need to revisit this position.</p> <p><b>Question 3</b></p> <p>Do you support the Board's proposal on hedge accounting?</p>	
1.1	<b>City of Cape Town</b>	
1.1.1	<p><i>Question 1</i></p> <p>The City does not directly issue financial guarantees and therefore does not have any comment in this regard.</p>	Noted. No further action required.
1.1.2	<p><i>Question 2</i></p> <p>The City does not issue loan commitments and therefore does not have any comment in this regard.</p>	Noted. No further action required.
1.1.3	<p><i>Question 3</i></p> <p>The City does not apply hedge accounting and thus supports the Board's proposal to remove it.</p>	Noted. No further action required.

**ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
GRAP 104 FINANCIAL INSTRUMENTS**

NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
<b>1.2</b>	<b>SARS</b>	
1.2.1	<p><i>Question 1</i></p> <p>(a) Yes, should be treated as financial instruments (AG5.24 – AG5.28) is incorrect reference, should read (AG5.28 to AG5.32). SARS issues state guarantees for housing loans.</p> <p>(b) Yes, SARS issues state guarantees for housing loans.</p>	Noted. The reference has been updated.
1.2.2	<p><i>Question 2</i></p> <p>(a) Yes, but not applicable to SARS.</p> <p>(b) Yes, but not applicable to SARS.</p> <p>(c) Yes, but not applicable to SARS.</p>	Noted. No further action required.
1.2.3	<p><i>Question 3</i></p> <p>Yes (SARS does not apply hedge accounting)</p>	Noted. No further action required.
<b>1.3</b>	<b>Department of Treasury – Free State</b>	
1.3.1	<p><i>Question 1</i></p> <p><u>Department of Sports, Arts, Culture and Recreation</u></p> <p>No comment.</p>	No action required.
1.3.2	<p><u>Free State Department of Police, Roads and Transport</u></p> <p>(a) This will assist in more consistent and transparent reporting of financial guarantees.</p> <p>(b) The loss allowance is determined by the impairment model and this would be the most effective measurement in the absence of fair value.</p>	Noted. No further action required.

**ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
GRAP 104 FINANCIAL INSTRUMENTS**

NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
1.3.3	<u>Provincial Treasury</u> (a) Yes. (b) Yes.	Noted. No further action required.
1.3.4	<u>Department of Education</u> (a) Yes. (b) Yes.	Noted. No further action required.
1.3.5	<u>Department of Agriculture</u> No response provided.	No action required.
1.3.6	<u>Free State Development Corporation</u> (a) Yes. (b) Yes.	Noted. No further action required.
1.3.7	<i>Question 2</i> <u>Department of Sports, Arts, Culture and Recreation</u> No comment.	No action required.
1.3.8	<u>Free State Department of Police, Roads and Transport</u> (a) Yes. (b) Yes. (c) Yes and No. If it is not clear why fair value is not first considered. There might be limited instances of fair value measurements, however is it not possible at all. Loss allowance is a good alternative measurement.	Noted. Guidance is included in the application guidance on how fair value could be determined (including possible valuation techniques). If fair value cannot be determined reliably using these bases, then the loss allowance used.

**ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
GRAP 104 FINANCIAL INSTRUMENTS**

NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
1.3.9	<u>Provincial Treasury</u> (a) Yes. (b) Yes. (c) Yes.	Noted. No further action required.
1.3.10	<u>Department of Education</u> (a) Yes. (b) Yes. (c) Yes.	Noted. No further action required.
1.3.11	<u>Department of Agriculture</u> No response provided.	No action required.
1.3.12	<u>Free State Development Corporation</u> (a) Yes. (b) Yes. (c) Yes.	Noted. No further action required.
1.3.13	Question 3 <u>Department of Sports, Arts, Culture and Recreation</u> No comment.	No action required.
1.3.14	<u>Department of Police, Roads and Transport</u> Currently the Department does not have any hedge accounting transactions and this would not be applicable to the Provincial Department.	Noted. No further action required.



**ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
GRAP 104 FINANCIAL INSTRUMENTS**

NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
1.3.15	<u>Provincial Treasury</u> Yes.	Noted. No further action required.
1.3.16	<u>Department of Education</u> Yes.	Noted. No further action required.
1.3.17	<u>Department of Agriculture</u> No response provided.	No action required.
1.3.18	<u>Free State Development Corporation</u> Yes.	Noted. No further action required.
<b>2.</b>	<b>Classification of financial instruments</b>	
	<p>The Board agreed to align the classification principles for financial instruments in GRAP 104 with those in IFRS 9, with the exception of introducing a category of financial assets measured through “other comprehensive income” and the requirement to measure all investments in residual interests at fair value.</p> <p><b>Question 4</b></p> <p>Do you agree with the new classification (and reclassification) principles for financial instruments as outlined in paragraphs 4.1 to 4.8 and 4.16 to 4.17?</p> <p><b>Question 5</b></p> <p>Do you agree with the proposal to allow, as a practical expedient, entities to measure investments in residual interests at cost where there is no reliable measure of fair value (as outlined in paragraphs 4.4, 4.6 and 5.36)?</p>	

**ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
GRAP 104 FINANCIAL INSTRUMENTS**

NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
<b>2.1</b>	<b>City of Cape Town</b>	
2.1.1	<p><i>Question 4</i></p> <p>Whilst the City will need to reassess its accounting basis for investments made through its fund managers in particular (currently fair value through the statement of financial performance), it does not foresee this to be a problem.</p>	Noted. No further action required.
2.1.2	<p><i>Question 5</i></p> <p>This is highly supported as cost is currently the method the City uses to measure its investment in the Cape Town International Convention Centre (CTICC).</p>	Noted. No further action required.
<b>2.2</b>	<b>SARS</b>	
2.2.1	<p><i>Question 4</i></p> <p>Yes.</p>	Noted. No further action required.
2.2.2	<p><i>Question 5</i></p> <p>Yes.</p>	Noted. No further action required.
<b>2.3</b>	<b>Free State Department of Treasury</b>	
2.3.1	<p><i>Question 4</i></p> <p><u>Department of Sports, Arts, Culture and Recreation</u></p> <p>No comment.</p>	No action required.
2.3.2	<p><u>Department of Police, Roads, and Transport</u></p> <p>Yes.</p>	Noted. No further action required.

**ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
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<b>NO.</b>	<b>SPECIFIC MATTERS FOR COMMENT</b>	<b>Board's response</b>
2.3.3	<u>Provincial Treasury</u> Yes.	Noted. No further action required.
2.3.4	<u>Department of Education</u> No response provided.	No action required.
2.3.5	<u>Department of Agriculture</u> No response provided.	No action required.
2.3.6	<u>Free State Development Corporation</u> Yes.	Noted. No further action required.
2.3.7	<i>Question 5</i> <u>Department of Sports, Arts, Culture and Recreation</u> No comment.	No action required.
2.3.8	<u>Department of Police, Roads, and Transport</u> Yes.	Noted. No further action required.
2.3.9	<u>Provincial Treasury</u> Yes.	Noted. No further action required.
2.3.10	<u>Department of Education</u> No response provided.	No action required.
2.3.11	<u>Department of Agriculture</u> No response provided.	No action required.

NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
2.3.12	<u>Free State Development Corporation</u> Yes.	Noted. No further action required.
<b>3.</b>	<b>Measurement of financial instruments</b>	
	<p><b>New principles have been introduced for the measurement of financial instruments at amortised cost. The “incurred loss” approach to impairing financial assets in GRAP 104 has been replaced with the “expected credit loss” approach in IFRS 9.</b></p> <p><b>Question 6</b></p> <p><b>Do you agree with the following proposed revisions to GRAP 104:</b></p> <p><b>(a) The principles used to determine amortised cost (as outlined in paragraphs 5.13 to 5.16)?</b></p> <p><b>(b) The expected credit loss approach to impairing financial instruments (as outlined in paragraphs 5.17 to 5.35)?</b></p> <p><b>(c) The exclusion of receivables from the requirements for purchase or originated credit impaired instruments (as outlined in paragraph 5.31)?</b></p>	
<b>3.1</b>	<b>City of Cape Town</b>	
	The City does not have any comments in this respect.	Noted. No further action required.
<b>3.2</b>	<b>SARS</b>	
	<p><i>Question 6</i></p> <p>(a) Yes (SARS has the following assets in the AFS: inventory, Prepayments, receivables from exchange transactions, cash &amp; cash equivalents, Loan to subsidiary PPE and Intangible Assets. Not in scope: prepayments. Have their own GRAP: Inventory, PPE and Intangible Assets. Cash and cash equivalents need not be impaired.</p> <p>(b) Yes (applicable to loan for subsidiary).</p> <p>(c) Yes (SARS has receivables from exchange transactions).</p>	Noted. No further action required.

**ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
GRAP 104 FINANCIAL INSTRUMENTS**

NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
<b>3.3</b>	<b>Department of Treasury – Free State</b>	
3.3.1	<u>Department of Sports, Arts, Culture and Recreation</u> No comment.	No action required.
3.3.2	<u>Department of Police, Roads, and Transport</u> (a) Yes. (b) Yes. (c) Yes.	Noted. No further action required.
3.3.3	<u>Provincial Treasury</u> (a) Yes. (b) Yes. (c) Yes.	Noted. No further action required.
3.3.4	<u>Department of Education</u> (a) Yes. (b) Yes. (c) Yes.	Noted. No further action required.
3.3.5	<u>Department of Agriculture</u> No response provided.	No action required.
3.3.6	<u>Free State Development Corporation</u> (a) Yes.	Noted. No further action required.

ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
GRAP 104 *FINANCIAL INSTRUMENTS*

NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
	(b) Yes. (c) Yes.	
<b>4.</b>	<b>Presentation of financial instruments</b>	
	<p><b><i>Offsetting of financial instruments</i></b></p> <p>Since issuing GRAP 104, IAS 32 introduced additional guidance on how to apply the offsetting principles of the Standard. The additional guidance is outlined in paragraphs AG7.2 to AG7.8. As a consequence of this additional guidance, new disclosure requirements were introduced. These additional disclosure requirements are included in paragraphs 8.14 to 8.19.</p> <p><b>Question 7</b></p> <p><b>Do you support the proposed disclosures? Do you anticipate any practical issues in preparing these disclosures?</b></p>	
<b>4.1</b>	<b>City of Cape Town</b>	
	The City does not have any more financial instruments with the legal right to apply offsetting, the additional disclosure requirements appear to be fairly onerous.	Noted. No other issues have been raised by respondents about the disclosure requirements, and therefore no change is proposed.
<b>4.2</b>	<b>SARS</b>	
	Yes (but not applicable to SARS).	Noted. No further action required.
<b>4.3</b>	<b>Department of Treasury – Free State</b>	
4.3.1	<u>Department of Sports, Arts, Culture and Recreation</u> No comment.	No action required.

**ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
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NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
4.3.2	<u>Department of Police, Roads, and Transport</u> The transaction history of the Department is not complex and therefore there is no anticipate practical issues regarding the disclosure.	Noted. No further action required.
4.3.3	<u>Provincial Treasury</u> Yes.	Noted. No further action required.
4.3.4	<u>Department of Education</u> Yes.	Noted. No further action required.
4.3.5	<u>Department of Agriculture</u> No response provided.	No action required.
4.3.6	<u>Free State Development Corporation</u> Yes.	Noted. No further action required.
<b>5.</b>	<b>Disclosures</b>	
	<p><b><i>Locally developed disclosures</i></b></p> <p><b>When the Board developed GRAP 104, the Board included specific disclosures that it thought users in the local environment would find useful. These are as follows:</b></p> <p><b>(a) The encouraged disclosure of the nominal values of financial instruments.</b></p> <p><b>(b) Whether collateral held is sufficient for the debt owing.</b></p> <p><b>Disclosure (a) has been deleted in the proposed revision of GRAP 104 as the Board has eliminated encouraged disclosures from the Standards wherever possible. The encouraged disclosures that remain in the Standard reflect aspects that are required in IFRS 7 and serve to remind preparers that it may be appropriate to disclose additional information in specific circumstances.</b></p>	

NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
	<p>The disclosure in (b) has been retained, but feedback is required as to whether disclosure of this information is relevant to users.</p> <p><b>Question 8</b></p> <p>Do you support the deletion of the disclosure of (a) and the retention of the disclosure of (b)? In particular, does the disclosure requirement in (b)(see paragraph 8.22(b)) provide relevant information to users of the financial statements?</p> <p><i>Concessionary loans</i></p> <p>The Board agreed to include additional disclosures on concessionary loans issued by an entity. The purpose of these disclosures is to provide users with information about the concessionary aspects of the loans to users of the financial statements, and or any credit losses incurred on initial recognition. These disclosures are included in paragraphs 8.24 to 8.27.</p> <p><b>Question 9</b></p> <p>Do you support the proposed disclosures? Do you anticipate any practical issues in preparing these disclosures?</p> <p><i>New disclosures</i></p> <p>As a consequence of the new classification approach for financial instruments and the impairment model, a number of new disclosures have been introduced.</p> <p><b>Question 10</b></p> <p>Do the new disclosure requirements outlined in the following areas (a) provide relevant information to users in the public sector, and (b) if yes, are there any practical challenges that the Board should be aware of in providing these disclosures?</p>	
5.1	City of Cape Town	
5.1.1	<p><i>Question 8</i></p> <p>The City supports the deletion of (a) but the questions the value added by the note on the sufficiency of collateral held (b) versus where no collateral is held. All the City's loans are unsecured.</p>	<p>Noted. The Board agrees with the comment as the proportion of the debt where collateral is held will depend on the intention of the arrangement. It may not be feasible to hold collateral for the full value of outstanding debt. This disclosure requirement has been deleted.</p>



**ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
GRAP 104 FINANCIAL INSTRUMENTS**

<b>NO.</b>	<b>SPECIFIC MATTERS FOR COMMENT</b>	<b>Board's response</b>
5.1.2	<p><i>Question 9</i></p> <p>The City does not issue concessionary loans and therefore does not have any comments in this regard.</p>	Noted. No further action required.
5.1.3	<p><i>Question 10</i></p> <p>The City is not opposed to any of the new disclosure requirements and is not aware of any specific practical challenges in providing these disclosures.</p>	Noted. No further action required.
<b>5.2</b>	<b>SARS</b>	
5.2.1	<p><i>Question 8</i></p> <p>(a) Yes, support the deletion of disclosure in (a).</p> <p>(b) Yes, the disclosure does provide relevant information to users of the financial statements (supports to determine if the entity is accountable with its resources).</p>	Noted. See the response to comment 5.1 above.
5.2.2	<p><i>Question 9</i></p> <p>Yes, SARS does not provide concessionary loans to achieve particular policy objectives.</p> <p>SARS provides concessionary loan to subsidiary, therefore no social benefit element.</p> <p>SARS has subordinated its claim below other creditors.</p> <p>SARS subordinates its claims as long as the subsidiary's liabilities exceed its assets.</p> <p>This indicates that the feature is not consistent with basic lending arrangement – must this instrument be held at fair value?</p>	<p>Noted. Whether a loan is a loan on below market terms or a concessionary loan will depend on the terms and conditions of the arrangement and intended purpose of the transaction.</p> <p>A subordinated loan is not a concessionary loan. When a loan is subordinated the entity effectively gives up its rights in the arrangement and agrees to receive any residual assets after other creditors have been paid. This may change the nature of the instrument (i.e. loan versus investment in a residual interest), and may affect its classification for measurement purposes.</p>

**ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
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NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
5.2.3	<p><i>Question 10</i></p> <p>Yes, (a) it does provide relevant information to users in the public sector (addresses accountability of the entity) (b) Impairment is not applicable to most financial assets of SARS, the only instrument that might be affected is the concessionary loan to subsidiary (currently valued by external service provider).</p>	Noted. No further action required.
<b>5.3</b>	<b>Department of Treasury – Free State</b>	
5.3.1	<p><i>Question 8</i></p> <p>(a) Support with deletion of nominal disclosures.</p> <p>(b) Support for retaining disclosure on adequacy of collateral.</p> <p>(c) Does the disclosure on the adequacy of collateral provide useful information to users.</p> <p><u>Department of Sports, Arts, Culture and Recreation</u></p> <p>No comment.</p>	No action required.
5.3.2	<p><u>Department of Police, Roads, and Transport</u></p> <p>(a) Yes.</p> <p>(b) It would be important to the user to know if the collateral held is sufficient to cover any debt should it be required. In the current financial climate, there are far more possibilities of debt not being adhered to and therefore the adequacy of the collateral provided would need to be made known.</p> <p>(c) It would be important to the user to know if the collateral held is sufficient to cover any debt should it be required. In the current financial climate, there are far more possibilities of debt not being adhered to and therefore the adequacy of the collateral provided would need to be made known.</p>	Noted. No further action required.
5.3.3	<u>Provincial Treasury</u>	Noted. No further action required.

**ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
GRAP 104 FINANCIAL INSTRUMENTS**

<b>NO.</b>	<b>SPECIFIC MATTERS FOR COMMENT</b>	<b>Board's response</b>
	(a) Yes. (b) No response provided. (c) Yes.	
5.3.4	<u>Department of Education</u> (a) Yes. (b) Yes. (c) Yes.	Noted. No further action required.
5.3.5	<u>Department of Agriculture</u> (a) Yes. (b) Yes. (c) Yes.	Noted. No further action required.
5.3.6	<u>Free State Development Corporation</u> (a) Yes. (b) Yes. (c) Yes.	Noted. No further action required.
5.3.7	<i>Question 9</i> <u>Department of Sports, Arts, Culture and Recreation</u> No comment.	No action required.
5.3.8	<u>Department of Police, Roads, and Transport</u>	Noted. No further action required.

**ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
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NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
	The transaction history of the Department is non-complex and therefore there is no anticipate practical issues regarding this disclosure.	
5.3.9	<u>Provincial Treasury</u> Yes.	Noted. No further action required.
5.3.10	<u>Department of Education</u> No response provided.	No action required.
5.3.11	<u>Department of Agriculture</u> No response provided.	No action required.
5.3.12	<u>Free State Development Corporation</u> Yes.	Noted. No further action required.
5.2.13	<i>Question 10</i> <u>Department of Sports, Arts, Culture and Recreation</u> No comment.	No action required.
5.3.14	<u>Department of Police, Roads, and Transport</u> For Departments the disclosure around credit risk is not within the control of the Department and more a Treasury function. Due to the legislative requirements the full control of credit risk is not solely within the Department and therefore the disclosure might become only compliance driven.	Noted. The Department may still be exposed to credit risk in the following scenarios: <ul style="list-style-type: none"> <li>• Receivables for goods/services provided.</li> <li>• Transactional banking accounts or bank deposits.</li> </ul>
5.3.15	<u>Provincial Treasury</u> Yes.	Noted. No further action required.
5.3.16	<u>Department of Education</u>	No action required.

**ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
GRAP 104 FINANCIAL INSTRUMENTS**

NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
	No response provided.	
5.3.17	<u>Department of Agriculture</u> Yes.	Noted. No further action required.
5.3.18	<u>Free State Development Corporation</u> Yes.	Noted. No further action required.
<b>6.</b>	<b>Local environment</b>	
	<p><b>Question 11</b></p> <p>Are there any regulatory or other issues that exist in the South African environment that may affect the implementation of the proposed Standards of GRAP?</p> <p>If yes, please provide details of these regulatory or other issues that should be considered in finalising the proposed Standards of GRAP.</p> <p><b>Question 12</b></p> <p>A number of examples have been included in Appendix C and D of the revisions to GRAP 104. In your view:</p> <p>Should the National Treasury consider the development of any other implementation guidance, in addition to the GRAP Implementation Guideline already available? Please explain your response.</p> <p>Are there any examples in Appendix C or D that are not relevant to the public sector and should be deleted or any specific examples that should be added?</p> <p><b>Question 13</b></p> <p>In your view, overall, does the application of the proposed amendments to GRAP 104 result in financial statements that would be useful to users? Please explain your response.</p> <p>In your view, what are the costs and benefits of the proposals relative to the current accounting for financial instruments? In relation to quantitative financial costs, the ASB would be interested to understand the nature and estimated amounts of any expected incremental costs, or cost savings, of the proposals relative to the existing accounting.</p>	

**ANALYSIS OF WRITTEN RESPONSES ON ED 167 REVISION OF  
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NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
<b>6.1</b>	<b>City of Cape Town</b>	
6.1.1	<p><i>Question 11</i></p> <p>The City of not aware of any regulatory issues that exist in the South African environment.</p>	Noted. No further action required.
6.1.2	<p><i>Question 12</i></p> <p>At this initial stage the City has not identified the need for any additional guidance other than maybe more practical guidance in respect of the (re)classification of investments at either fair value or amortised cost.</p>	Noted. There is guidance in ED 167 on the reclassification of assets when there is a change in management model. Guidance will also be developed as part of the transitional provisions for the initial adoption of the amendments to GRAP 104.
6.1.3	<p><i>Question 13</i></p> <p>We do not see any of the amendments resulting in obvious negative consequences. The costs of the proposals as it affects the City are seen to be negligible, if any.</p>	Noted. No further action required.
<b>6.2</b>	<b>SARS</b>	
6.2.1	<p><i>Question 11</i></p> <p>No issues that we are aware of.</p>	Noted. No further action required.
6.2.2	<p><i>Question 12</i></p> <p>It is appreciated that there are examples in the Appendices.</p> <p>Could the fact sheets somehow be incorporated into the Appendices as well?</p>	Noted. The Fact Sheets and presentation will be provided on the website as supplementary material to the final Standard rather than being incorporated into the Annexures. These documents were documents prepared by the Secretariat and were not subject to the

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GRAP 104 FINANCIAL INSTRUMENTS**

<b>NO.</b>	<b>SPECIFIC MATTERS FOR COMMENT</b>	<b>Board's response</b>
	<p>The slide show of the ASB contains illustrations of potential implications for specific transactions – could this be incorporated into the Appendices as well?</p> <p>The following slides of the ASB presentation encapsulates the theory very well slide 20, slide 30, slide 72, slide 85 &amp; 86.</p>	Board's due process so they cannot be included in the pronouncement.
6.2.3	<p><i>Question 13</i></p> <p>The financial statements will be useful to users. The lifetime credit loss model provides information that is relevant to stakeholders and to other users of financial statements.</p> <p>By simplifying most of the initial and subsequent measurement requirements, there will be consistency between entities and this will allow for comparability.</p> <p>The cost implications related to financial instrument accounting is mainly when fair value is to be determined and use if made of an expert (SARS fair values employee benefits for leave provision and loan to subsidiary).</p>	Noted. No further action required.
<b>6.3</b>	<b>Department of Treasury – Free State</b>	
6.3.1	<p><i>Question 11</i></p> <p><u>Department of Sports, Arts, Culture and Recreation</u></p> <p>No comment.</p>	No action required.
6.3.2	<p><u>Department of Police, Roads, and Transport</u></p> <p>For Departments the disclosure around credit risk is not within the control of the Department and more a Treasury function. Due to the legislative requirements the full control of credit risk is not solely within the Department and therefore the disclosure might become only compliance driven.</p>	See the response to 5.3.2 above.
6.3.3	<p><u>Provincial Treasury</u></p> <p>Yes.</p>	Noted. No further action required.

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GRAP 104 FINANCIAL INSTRUMENTS**

<b>NO.</b>	<b>SPECIFIC MATTERS FOR COMMENT</b>	<b>Board's response</b>
6.3.4	<u>Department of Education</u> No response provided.	No action required.
6.3.5	<u>Department of Agriculture</u> No.	Noted. No further action required.
6.3.6	<u>Free State Development Corporation</u> No.	Noted. No further action required.
6.3.7	<i>Question 12</i> <u>Department of Sports, Arts, Culture and Recreation</u> No comment.	No action required.
6.3.8	<u>Department of Police, Roads, and Transport</u> Yes. From a Provincial Department point of view the exposure is limited, however for the public sector as a whole it should be considered that a lot more type of transactions occur where the examples might be needed. Therefore it would not be recommended to remove any examples.	Noted. No further action required.
6.3.9	<u>Provincial Treasury</u> Could not find the annexures.	Noted. The Exposure Draft was made available on the website in separate parts. The placement on the website will be revisited when the final pronouncement is published.
6.3.10	<u>Department of Education</u> No response provided.	No action required.
6.3.11	<u>Department of Agriculture</u>	Noted. No further action required.



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NO.	SPECIFIC MATTERS FOR COMMENT	Board's response
	Yes.	
6.3.12	<u>Free State Development Corporation</u> Yes. Clarify any ambiguity that might exist. No (examples should be deleted).	Noted. Without specific examples, it is difficult to identify where areas of ambiguity may lie. No change proposed.
6.3.13	<i>Question 13</i> <u>Department of Sports, Arts, Culture and Recreation</u> No comment.	No action required.
6.3.14	<u>Department of Police, Roads, and Transport</u> No response provided.	No action required.
6.3.15	<u>Provincial Treasury</u> No response provided.	No action required.
6.3.16	<u>Department of Education</u> No response provided.	No action required.
6.3.17	<u>Department of Agriculture</u> No response provided.	No action required.
6.3.18	<u>Free State Development Corporation</u> Yes. There users will receive information about the potential outflow of economic benefits that the entity commits to provide as a result of entering into an arrangement to provide a concessionary loan.	Noted. No further action required.

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GRAP 104 FINANCIAL INSTRUMENTS**

<b>NO.</b>	<b>SPECIFIC MATTERS FOR COMMENT</b>	<b>Board's response</b>
<b>7.</b>	<b>GENERAL</b>	
<b>7.1</b>	<b>SARS</b>	
	<p>The following information provided in the ASB slideshow is commended:</p> <p>Illustrations of potential implications of specific transactions (page 87-142)</p> <p>The following slides of the ASB presentation encapsulates the theory very well: slide 20, slide 30, slide 72, slide 85 &amp; 86.</p> <p>The fact sheets prepared are valuable, practical, handy and useful.</p>	Noted. No further action required.