

ED 151
Proposed IGRAP on
Recognition and
Derecognition of Land



Accounting Standards Board

Background to project

- Feedback from Post-Implementation
- Issues raised by respondents:
 - whether land should be recognised and derecognised by an entity based on legal title or control
 - at what point should land be derecognised from financial statements
- Board agreed to develop an IGRAP
 - when should an entity recognise and derecognise land




Background to project

- Comment on ED 139 closed 15 June 2016
- Comment received:
 - Seven written comment letters
 - Completed questionnaires from Provincial Treasury Free State
 - Various workshops, roundtables, discussions





Scope

- Only applies initial recognition and derecognition of land
 - Includes guidance on joint control over assets
 - Scope excludes:
 - Classification, initial and subsequent measurement, presentation and disclosure
 - Recognition and derecognition of structures
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Issues addressed in IGRAP

- Should legal owner of land always recognise as asset → custodian?
- How will right granted to an entity through binding arrangement affect recognition
- When should land be derecognised as asset
- How to account for land when there is joint control



Assessment of control

- Consider principles in Framework on definition of an asset and control over a resource
- Indicators of control
 - Legal ownership; or
 - Right to direct access to land and to restrict or deny the access of others to the land





Assessment of control

- What has changed from ED 139?
 - ED 139 proposed 3 indicators of control
 - Board reconsidered 3rd indicator
 - ED 151 proposes to combining 2nd and 3rd indicator as included in ED 139



Binding arrangement

- Indicators are evidenced through binding arrangement
 - An arrangement that confers enforceable rights and obligations
- Assess at each reporting date whether any changes were made and the impact on initial assessment of control
- Respondents commented on existence of binding arrangement



Legal ownership

- Registered title deed holder or change in ownership recorded by way of endorsement
- In absence of 2nd indicator, legal owner controls land
- What if there is a legal owner and custodian?
 - Custodian responsible to acquire, manage, dispose of land and direct or restrict access
 - Legal owner's right transferred to custodian
 - Custodian its legislation cannot transfer land or associated rights unless to another custodian

Right to direct access or to restrict or deny access

- Substance over form
 - If one entity is legal owner and another has a right to direct, restrict, deny access → land controlled by entity that has the right
- Right includes ability to decide how and by whom land can be used
 - Entity should be able to direct FEB or SP
 - Right may not be exercised yet



Right to direct access or to restrict or deny access

- Indicators to demonstrate existence of the right
 - directly use land's FEB or SP to provide services to beneficiaries
 - exchange, dispose or transfer land
 - use the land in any other way to generate FEB or SP

Right to direct access or to restrict or deny access

- When entity is granted a right to use land for a period of time
 - Rights needs to be granted for an indefinite period
 - Entity should have other substantive rights → consider indicators listed in paragraph .27
 - If control is not demonstrated → then consider if right needs to be accounted for in terms of GRAP 13 or another applicable GRAP

Assessment of control

- Recognition and derecognition based on assessment of control indicators
- Joint control over land
 - arrangement to share control over asset
 - apply principles in GRAP 8 to account for land
 - recognise interest in jointly controlled asset according to nature

Disclosure requirements

- Where entity is not legal owner/custodian but assess control
 - Carrying value of land recognised
 - Key judgements and assumptions applied
- Where entity is legal owner/custodian but concludes that it does not control land
 - Key judgements and assumptions applied
- Provide disclosure → in total/individually/groups of land → relevant to users



Transitional provisions

- On date of adoption
 - Apply prospective to binding arrangements related to land that exists
 - Adjustments against opening accumulated surplus or deficit
 - If acquisition cost not know – determine deemed cost ito Directive 7
- Apply to any new arrangements relating to land after date of adoption



Proposed effective date

- Proposed implementation date
 - 1 April 2019 to allow stakeholders to
 - update other guidance
 - complete other financial management reforms
 - comply with requirements
- Effective date of GRAP 13.17
 - If lease includes both land and structure each element assessed and classified separately
 - Align effect date with that of IGRAP



Feedback from Board

- Re-exposure of proposed IGRAP
 - Board approved re-exposure
 - 2 month comment period
 - Specific matters for Comment
 - Combining indicator on existence of an enforceable right with indicator on right to direct access, and to restrict or deny access of others
 - Proposed effective date of 1 April 2019



ANY OTHER COMMENT

