




Standard of GRAP on
Living and Non-living
Resources

(GRAP 110)






Background to development of GRAP 110

- 
- No specific guidance available on recognition and derecognition of living resources
 - Divergent practice → entities either applied GRAP 17 *Property, Plant and Equipment* or GRAP 27 *Agriculture*
 - DP 10 *Accounting for Living and Non-living Resources* (January 2015)





Objective of GRAP 110

- Prescribe recognition, measurement, presentation and disclosure requirements for living resources → living organisms, animals and plants
 - Prescribe disclosure requirements for non-living resources → water, land, minerals, oil and gas and other non-regenerative natural resources (not extracted)
- 



LIVING RESOURCES





Definition- living resource

- Resources that undergo biological transformation and includes living organisms (animals and plants) that are used or held for
 - delivery or provision of goods and services
 - research, conservation, recreation
 - agricultural activities
 - education or training
 - rehabilitation or breeding purposes





GRAP 110 vs GRAP 27

- Existing guidance in GRAP 27 to account for biological assets
 - GRAP 27 applies to biological assets and agricultural produce which is the harvested product of entity's biological assets
 - GRAP 27 is applied where **intention to sell, distribute, convert biological assets into agricultural produce or additional biological assets for sale or distribution**





Other scope exclusions


- Living resources that are stored and/or preserved for future use → seeds and dried plants
 - Apply applicable GRAP based on reason for storing and/or preserving for use at future date
- Resources intends to sell, use or distribute in ordinary course of operations (which may be incidental rather than key activity)





Recognition

Living resource

- Recognise living resource as an asset if, and only if:
 - probable that FEB or service potential associated with asset will flow to entity and
 - cost or fair value of the asset can be measured reliably
 - Control indicators to assist control assessment
→ apply individually or in combination
- 



Indicators of control


- Management of physical condition
 - taking care of nutrition, health, reproduction, and environment
 - set up of feeding plans, accurate records kept
- Ability to restrict movement
 - restriction to specific area
- Ability to direct the use of the resource
 - disposal, trade or able to restrict access





Recognition


Living resource

- 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 over the resource cannot be demonstrated
 - only disclose information in notes to financial statements
- 



Recognition

Living resource

- If an entity holds a living resource that meets the definition of an asset, but which, does not meet the recognition criteria:
 - Only disclose information in notes to financial statements
 - BUT when information about cost or fair value of living resource becomes available → recognise resource from that date and apply measurement principles
- 




Measurement at recognition

- A living resource that qualifies for recognition as an asset shall be measured at its cost
- 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
 - does not constitute a revaluation





Elements of cost

- purchase price, incl. import duties, non-refundable purchase taxes
 - costs directly attributable to bring it to location and condition necessary for it to be capable of operating in manner intended by management
 - cost of employee benefits, training costs, initial delivery and handling fees, veterinary costs
- 



Subsequent and research related costs

- Subsequent costs
 - No recognition of day-to-day operating costs or costs to maintain or hold
 - Only recognise if recognition criteria is met
- Research related costs
 - Apply principles in GRAP 31
 - Expense as research costs when FEB or service potential not demonstrated





Measurement after recognition

- Held for less than a reporting period
 - Apply the principles in GRAP 12
- Held for more than a reporting period
 - Apply either the cost model or the revaluation model
 - Apply to entire group of living resources






Challenges in determining fair value?






Determining fair value

- Fair value → amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction
 - Knowledgeable willing parties
 - Arm's length transaction
 - Exclude inflated or deflated prices
 - Transaction costs not deducted
- 




Determining fair value

- Market value determined by appraisal
 - Reference to quoted market prices in active, liquid market eg recent auctions
 - Appraisal undertaken by member of valuation profession → relevant & professional qualification
 - Restrictions on disposal → will not preclude entity from obtaining fair value
- 



Determining fair value

- In absence of market value
 - **recent tx prices** between knowledgeable, willing parties → no significant change in economic circumstances between transaction and reporting date;
 - **market prices for similar resources, similar characteristics, used or held under similar circumstances** (appropriate adjustments)
 - **sector benchmarks** → based on active market information, updated on a regular basis
- 



Revaluation model

- Frequency of revaluations depends on changes in fair value
 - More frequent valuations required for immature animal until it reaches maturity
- Revalue entire group of living resource
 - Entity can also distinguish between mature and immature living resources for same animal
- Treatment of increases or decreases





Inability to determine fair value

- If fair value 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 → carrying amount shall be revalued amount as at date of last revaluation
- Measure resource using cost model until fair value becomes available





Depreciation

- Depreciation principles are applied by allocating depreciable amount over systematic basis over useful life
 - assess at each reporting date in expectations about residual value and useful life have changed → then revise and apply GRAP 3
- Review depreciation method at least at each reporting date
 - Straight line or diminishing value method





Depreciation

- Recognise depreciation charge in surplus of deficit unless included in carrying amount of another asset
 - eg those used for research → depreciation charge included in cost of that asset






Impairment and compensation

- Assess at each reporting date whether there is an indication that resource may be impaired
 - apply GRAP 21 or GRAP 26 (estimate recoverable amount or recoverable service amount)
- Compensation from third parties for living resources that have been impaired, lost or given up
 - include in surplus or deficit when receivable





Derecognition

- Derecognise carrying amount
 - on disposal (including disposal through a non-exchange transaction); or
 - when no FEB or service potential are expected from its use or disposal
 - Gain or loss from derecognition → include surplus or deficit on derecognition
- 



NON-LIVING RESOURCES






Definition – non-living resource

- Resources, other than living resources, that occur naturally and have not been extracted:
 - land
 - water
 - minerals, oils and gas and other non-regenerative resources





Definition – non-living resource

- At point of extraction these resource no longer occur in their natural state and no longer meets definition
 - Apply judgement to determine when extraction occurs
 - Apply GRAP 12 or another applicable Standard, for example GRAP 17 (exploration undertaken for research)





Recognition

Non-living resource


- Non-living resources, other than land, **shall not be recognised** as assets
 - Unlikely to conclude on control as it cannot manage the physical condition
 - No ability to use resources or direct others to use while un-extracted
 - No benefit from future economic benefits or service potential while un-extracted
 - Unlikely to reliably measure these resources
- Only disclose information in notes to f/s





Recognition

Non-living resource

- Land should be recognised in accordance with applicable Standard of GRAP
 - Apply guidance in existing Standards of GRAP depending on purpose for which land is held or intended to be used
 - Where a living resource or other non-living resource is part of the land the valuer considers the fact in valuing the land (revaluation or fair value model)
 - Include appropriate disclosures on methodology, judgements and assumptions applied in valuing land that has these resources
- 



DISCLOSURE REQUIREMENTS






Living and Non-living resources

- When entity acts as a custodian over a living or non-living resource or group of living or non-living resources
 - explain the nature of custodial responsibility including legislation or similar means that establishes custodial responsibility
 - may include cross reference in fin statements if this information is included in another public document






Non-living resources

- F/s shall include description of following for each group of non-living resources
 - nature and types of non-living resources for which responsible
 - liabilities and/or contingent liabilities that arise as a result of non-living resources
 - if not disclosed separately on face of financial performance → amount of compensation from 3rd parties
- 




Living resources

- Presented as separate line item on face of statement of financial position
 - Each class of living resource recognised:
 - measurement bases
 - depreciation method, useful lives or depreciation rates
 - gross carrying amount incl accumulated depreciation and impairment
 - reconciliation of carrying amount
- 




Living resources

- For living resources where entity is unable to reliably determine fair value:
 - reconciliation of amounts relating to that resource or group separately from other resources or groups
 - a description of living resource or group
 - explanation of why FV cannot be determined
 - when dispose → fact, carrying amount on date of sale and gain or loss recognised
- 



Living resources

- For living resources not recognised when definition not met or when it could not be reliably measured on initial recognition:
 - description of nature and type of living resource or group
 - judgements on conclusion that def not met
 - reasons as to why it could not be measured reliably
 - compensation received on disposal
- 



Transitional provisions





Transitional provisions

- Respondents concerns on determining FV:
 - On initial recognition and when revaluation model is adopted
 - unique nature and characteristics
 - Transitional relief:
 - Provide 3 year measurement relief on adoption for recognition and measurement
 - GRAP 110 applied retrospectively
 - Effective date of 1 April 2020
- 