

Update on the activities of the Accounting Standards Board

By Amanda Botha, Project manager at the Accounting Standards Board

Introduction

The Accounting Standards Board (the Board) has recently approved a number of pronouncements that are of importance to municipalities in preparing their financial statements. A high level overview of these pronouncements is provided in this article.

The Standard of GRAP on Living and Non-living Resources (GRAP 110)

The Board approved GRAP 110 as a final pronouncement after considering comment received from stakeholders on the Exposure Draft.

GRAP 110 prescribes the recognition, measurement, presentation and disclosure of living resources, i.e. living organisms such as animals and plants that are used or held for, amongst others, the delivery or provision of goods and services, recreation and education or training. GRAP 110 also prescribes disclosure requirements for non-living resources, i.e. water, land and minerals, oils and gas and other non-regenerative resources. No recognition and measurement principles are included in GRAP 110 for these resources.

The Board recently approved an Exposure Draft (ED 154) on the *Proposed Transitional Provisions for the Initial Adoption of GRAP 110*. ED 154 proposes the transitional arrangements to be applied on the initial adoption of GRAP 110, with comment due by 31 July 2017.

Guideline on Accounting for Arrangements Undertaken in Terms of the National Housing Programme (Housing Guideline)

The Housing Guideline outlines the accounting for transactions and events that arise from the national housing programme, which is undertaken in terms of the Housing Act, Act No. 107 of 1995. The Housing Guideline applies to both accredited and non-accredited municipalities. The accounting guidance has been based on key features set out in current legislation and the principles from relevant Standards of GRAP.

The Guideline should be applied as part of the GRAP Reporting Framework from the later of (a) 1 April 2019, or (b) the effective date for GRAP 109 on *Accounting by Principals and Agents*. In the interim, entities may consider the principles when they develop accounting policies.

Interpretation of the Standards of GRAP on Recognition and Derecognition of Land (IGRAP 18)

IGRAP 18 provides guidance on when an entity should recognise and derecognise land as an asset in its financial statements. An entity assesses control based on two criteria, i.e. (a) legal ownership, and/or (b) the right to direct access to land, and to restrict or deny the access of others to land.

IGRAP 18 becomes effective for financial periods commencing on or after 1 April 2019, but can be considered by entities in the interim.

Standards of GRAP on *Interests in Other Entities*

The following Standards of GRAP that deal with interests in other entities were approved by the Board:

- GRAP 34 *Separate Financial Statements*
- GRAP 35 *Consolidated Financial Statements*
- GRAP 36 *Investments in Associates and Joint Ventures*
- GRAP 37 *Joint Arrangements*
- GRAP 38 *Disclosure of Interests in Other Entities.*

These Standards will replace GRAP 6 *Consolidated and Separate Financial Statements*, GRAP 7 *Investments in Associates*, and GRAP 8 *Interests in Joint Ventures* once effective.

Proposed transitional provisions for the initial adoption of these Standards will be considered for exposure by the Board at its June 2017 meeting.

Improvements to the Standards of GRAP (2016)

The Board approved the *Improvements to the Standards of GRAP (2016)*. The improvements relate to:

- the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)*;
- the measurement principle when assets are acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets;
- the application of the revaluation method to the carrying amount and accumulated depreciation when a living resource is revalued;
- acceptable methods of depreciating assets;
- changes in terminology related to military and similar assets; and
- the treatment of bearer plants and clarifying when bearer plants are within the scope of GRAP 17 *Property, Plant and Equipment* or GRAP 110.

An effective date of 1 April 2018 was approved for these improvements by the Accountant-General.

Information on the Board and its work programme is available online on our website on www.asb.co.za.