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TO: **MEMBERS OF THE TECHNICAL COMMITTEE**

FROM: **NABEELA IMAM SHAH**

SUBJECT: **INTERPRETATION TO THE STANDARDS OF GRAP ON *FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION***

DATE: **10 OCTOBER 2022**

FILE REF: **ATTACHMENT 4(a)**

BACKGROUND TO THE PROJECT

1. In monitoring convergence with the International Accounting Standards Board (IASB®), the Board agreed to develop an Interpretation to the Standard of GRAP on *Foreign Currency Transactions and Advance Consideration* based on IFRIC 22. The project brief is included for information purposes as attachment 4(f).

DEVELOPMENT OF THE EXPOSURE DRAFT

2. The purpose of this project is to develop guidance based on IFRIC 22, which would link to the Standard of GRAP on *The Effects of Changes in Foreign Exchange Rates* (GRAP 4). IFRIC 22 clarifies which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.
3. The guidance in IFRIC 22 was adapted for the local public sector environment in order to develop the Interpretation to the Standard of GRAP.
4. Two project group meetings were held during October 2022 to consider the Invitation to Comment (ITC) and the proposed Exposure Draft on *Foreign Currency Transactions and Advance Consideration* (ED). The minutes of the project group meetings are included as Attachments 4(b) and 4(c). Project group members recommended the proposed ITC and ED to the Technical Committee for its consideration.

OBJECTIVE OF THIS MEMORANDUM

5. The objective of this memorandum is to:
   (a) present to the Technical Committee, the proposed ITC and ED for recommendation to the Board for approval as an ED, if deemed appropriate; and
   (b) outline the matters for discussion so that a recommendation can be made to the Board on how these should be addressed.

MATTERS FOR DISCUSSION

Specific matters for comment

6. The Secretariat did not identify any specific matters for comment for this ED. The project is not complex. Minor adaptations were made to IFRIC 22, mainly aligning terminology in the IFRIC to the terminology used in our local standards.

> **ACTION REQUESTED #1**
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> **The Technical Committee is requested to INDICATE whether it agrees that no specific matters for comment are necessary.**

PROPOSED EXPOSURE DRAFT ON *FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION*

7. The proposed ED and ITC are included as attachment 4(d) and 4(e) respectively.

> **ACTION REQUESTED #2**
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> **The Technical Committee is requested to:**
>
> **(a) REVIEW the proposed ITC and ED; and**
> **(b) if considered appropriate, RECOMMEND the proposed ED to the Board for its consideration.**

CONSULTATION

8. In line with the current timetable for the Technical Committee and the Board to consider the comment on the proposed ED in the second quarter of 2023, the Secretariat recommends a comment deadline of 28 April 2023.

> **ACTION REQUESTED #3**
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> **The Technical Committee is requested to INDICATE whether it agrees with the comment deadline of 28 April 2023.**

NEXT STEPS

9. Depending on the recommendation from the Technical Committee, the Board will consider the proposed ITC and ED at its meeting scheduled on the 30th of November 2022.

> **ACTION REQUESTED #4**
>
> **The Technical Committee is requested to NOTE the next steps.**