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MINUTES OF THE PROJECT GROUP MEETING OF THE ACCOUNTING STANDARDS BOARD ON THE PROPOSED *IMPROVEMENTS TO STANDARDS OF GRAP* (*2022)* AND THE PROPOSED INTERPRETATION OF THE STANDARD OF GRAP ON *FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION* HELD ON 3 OCTOBER 2022

Present:	M Hempel	PWC
	N Kasch	KPMG
	L Kubheka	AGSA
	M Lee	Mubesko
	W Linden	EY
	K Makhafola	SAICA
	A Marais	Sol Plaatje University
	M Mentz	AGSA
	B Mungofa	Masa Auditors
	T Muza	CCG Systems
	A Patel	mSOCA Advisory
	Z Pikashe	SoluGrowth
	L Pillai	KPMG
	K Sahadeo	W Consulting
	R Small	SAIPA
	B van der Merwe	Nexia SAB&T
	S van der Merwe	Adapt IT
	V Visser	Inzalo EMS
	A Zungu	Durban University of Technology
Secretariat:	N Imam-Shah	Project Manager
	J Poggiolini	CEO
	E van der Westhuizen	Project Manager

1. WELCOME AND APOLOGIES

Members were WELCOMED to the project group meeting. Apologies were NOTED from A Botha, J Combrink, N de Leeuw, C Henning, M Katende, S Koekemoer, W Muwandi, B Suleman, A van der Burgh, M van der Mescht, K Vanmali and M Wanland.

2. TECHNICAL MATTERS

PROPOSED *IMPROVEMENTS TO STANDARDS OF GRAP (2022)*

2.1 The following documents were TABLED at the meeting:

- Project brief on *Improvements to the Standards of GRAP (2022)*
- Proposed Invitation to Comment including the proposed Exposure Draft on *Improvements to the Standards of GRAP (2022)*

Background to the project

2.2 The Secretariat NOTED the background to, and phases of, the project. The project group's role in the process was EXPLAINED. The Secretariat EXPLAINED the process followed to develop the Exposure Draft (the ED).

ED on *Improvements to Standards of GRAP (2022)*

Disclosure of accounting policies

2.3 The Secretariat EXPLAINED the background supporting the decision by the International Accounting Standards Board (IASB®) to amend the Standard on *Presentation of Financial Statements* (IAS 1), and how these amendments will be useful for the local environment if included in the Standard of GRAP on *Presentation of Financial Statements* (GRAP 1).

2.4 The Secretariat EXPLAINED that the proposed amendment involves changing the terminology "significant accounting policies" to "material accounting policy information" because the Standards of GRAP do not define the term "significant". It was NOTED that this amendment affects the following standards:

- GRAP 1 – *Presentation of Financial Statements*
- GRAP 24 – *Presentation of Budget Information in Financial Statements*
- GRAP 104 – *Financial Instruments (2019).* The Secretariat NOTED that all amendments to GRAP 104 from this Improvements Project will be made to the Standard of GRAP on *Financial Instruments (2019)* which becomes effective on 1 April 2025.
- Directive 12 – *The Selection of an Appropriate Reporting Framework by Public Entities*
- Guideline on *The Application of Materiality to Financial Statements*

2.5 The Members SUPPORTED the amendment.

Secretariat

Encouraged disclosures

2.6 The Secretariat EXPLAINED a past Board decision to assess the information value of encouraged disclosures in the Standards of GRAP and to remove disclosures with limited information value.

2.7 The Secretariat INDICATED that the following disclosures may have limited information value in the following Standards, and were PROPOSED for deletion:

- GRAP 1 – *Presentation of Financial Statements*
- GRAP 13 – *Leases*
- GRAP 19 – *Provisions, Contingent Liabilities and Contingent Assets*
- GRAP 23 – *Revenue from Non-exchange Transactions (Taxes and Transfers)*
- GRAP 27 – *Agriculture*
- GRAP 31 – *Intangible Assets*
- GRAP 104 – *Financial Instruments (2019)*

2.8 The Members AGREED to delete the encouraged disclosures identified in the Standards listed, except for GRAP 27. The Members INDICATED that this disclosure provides useful information to help users distinguish different classes of biological assets. They NOTED that entities (mainly those who apply IFRS® Standards) use this disclosure to determine classes of biological assets.

Secretariat

2.9 The Secretariat PROPOSED that the encouraged disclosure identified in the Standard of GRAP on *Cash Flow Statements* (GRAP 2) be retained, but amended to read as examples of additional disclosure that may be relevant to users of financial statements.

2.10 The Members NOTED that examples tend to become restrictive when interpreted and SUGGESTED that the word "examples" be removed.

Secretariat

Definition of accounting estimates

2.11 The Secretariat EXPLAINED the background supporting the decision by the IASB to amend the Standard on *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8), and how these amendments will be useful for the local environment if included in the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* (GRAP 3).

2.12 The Secretariat EXPLAINED that the proposed amendment involves changing the definition of accounting estimates because the previous definition was not sufficiently clear. It was NOTED that this amendment affects the following standards:

- GRAP 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*
- IGRAP 20 – *Accounting for Adjustments to Revenue*

2.13 The Members SUPPORTED the amendment.

Secretariat

2.14 A Member QUESTIONED whether the use of the term "monetary amounts" in the definition restricts the definition to monetary items because most estimates relate to non-monetary items.

2.15 The Secretariat EXPLAINED that the reference to monetary amounts is meant to refer to items that can be measured in Rand values rather than to refer to cash items.

2.16 A Member PROPOSED changing the wording in the ED from "developing estimates" to "determining estimates" as this will help clear some confusion between accounting policies and accounting estimates because accounting policies are developed.

Secretariat

Illustrative Examples

2.17 The Secretariat PROPOSED to add illustrative examples to the Standard of GRAP on *Borrowing Costs* (GRAP 5) and to the Standard of GRAP on *Presentation of Budget Information in Financial Statements* (GRAP 24).

2.18 The Members AGREED to add the illustrative examples to GRAP 5 and GRAP 24.

Secretariat

Cost of property, plant and equipment

2.19 The Secretariat EXPLAINED that the International Public Sector Accounting Standards Board (IPSASB) made changes to the Standard on *Property, Plant and Equipment* (IPSAS 17), to prohibit entities from deducting proceeds from the sale of items produced, against the cost of the asset. The amendment proposes that entities recognise the proceeds from selling these items and the cost of these items, in surplus or deficit in accordance with the applicable Standards.

2.20 The Secretariat PROPOSED that the amendment be included in the Standard of GRAP on *Property, Plant and Equipment* (GRAP 17). The Members SUPPORTED this amendment.

Secretariat

Publicly available and publicly accountable

2.21 The Secretariat EXPLAINED that stakeholders experienced difficulty assessing whether GRAP 24 applies to them. It was NOTED that entities required guidance on when an entity's budget is made publicly available and when an entity is held publicly accountable for that budget. Amendments were made to expand on the terms "publicly available" and "publicly accountable".

2.22 The amendment affects the following standards:

- GRAP 1 – *Presentation of Financial Statements*
- GRAP 24 – *Presentation of Budget Information in Financial Statements*

2.23 The Members SUPPORTED the amendment.

Secretariat

2.24 A Member ASKED whether an entity can still apply GRAP 24 if they are not publicly accountable for their budget.

2.25 The Secretariat RESPONDED that entities are permitted to voluntarily apply GRAP 24.

2.26 Members AGREED that entities may meet the publicly available requirement and not the publicly accountable requirement for their budget. They SUPPORTED that where public oversight and involvement in the budget process is exercised by the authority who approves the entity's budget, the entity is held publicly accountable. They SUGGESTED expanding on paragraph .05A in the ED to clearly indicate when an entity is publicly accountable for their budget.

Secretariat

Reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements

2.27 It was NOTED through previous consultations with stakeholders that the reconciliation in GRAP 24 may provide more useful information if entities are able to decide which line items in the financial statements should be reconciled. The Secretariat PROPOSED to amend GRAP 24 to not be prescriptive on the line items entities should reconcile.

2.28 The Members AGREED with the amendment.

Secretariat

2.29 The Secretariat NOTED that the amendment will be clearer if the principle - that an entity should decide how to present the reconciliation based on what would be useful - is added to the text.

Secretariat

2.30 A Member QUESTIONED whether timing differences are relevant for the local South African environment and suggested removing timing differences from GRAP 24.

2.31 The Secretariat NOTED the concern and indicated that the matter will be raised with National Treasury.

Secretariat

2.32 The Secretariat REMINDED Members about the GRAP 24 Fact Sheet and Review Report to help entities with disclosure and other common issues.

Interest Rate Benchmark Reform

2.33 The Secretariat NOTED that the IPSASB made amendments to the Standard on *Financial Instruments* (IPSAS 41) to provide a practical expedient to entities whose contractual cash flows are affected by the interest rate benchmark reform, to not treat the change as a modification.

2.34 The Secretariat EXPLAINED the current status of the reform in the local environment and proposed that similar amendments be made to GRAP 104, so that when the reform is fully implemented locally, GRAP 104 addresses this.

2.35 The Members SUPPORTED the amendment.

Secretariat

Other amendments to clarify existing principles

2.36 The Secretariat NOTED that there were other changes proposed to the Standards of GRAP to ensure consistency between the standards or to clarify existing principles. The Secretariat EXPLAINED the following proposed changes:

- In GRAP 3, amendments clarify that the required disclosure on Standards issued not yet effective in paragraph .32, only applies to the Standards of GRAP that are not yet effective for which the Minister of Finance has already determined an effective date.

  A Member ASKED whether the disclosure in paragraph .32 should be applied by an entity to Standards that are not relevant to them, as there is some confusion around this in practice. The Secretariat RESPONDED that there is an FAQ to the Standards of GRAP on this specific matter and referred the Member to the FAQ.

- In the Standard of GRAP on *Related Party Disclosures* (GRAP 20), the definition of "significant influence" was aligned to the definition in the Standard of GRAP on *Investments in Associates and Joint Ventures* (GRAP 36) to achieve consistency.

- In GRAP 31:
  - Amendments clarify, in the scope paragraph, when the Standard of GRAP on *Service Concession Arrangements: Grantor* (GRAP 32) is applicable.
  - Amendments remove references to fully depreciated assets to achieve consistency as these were already deleted in the other asset Standards.

- In GRAP 104, amendments clarify the fees that an entity includes when it applies the "10 percent" test to derecognise a financial liability.

- In the Guideline on *The Application of Materiality to Financial Statements* (the Guideline) amendments clarify that:
  - It may be appropriate for entities to set different levels of materiality for the different components of the financial statements.
  - Careful consideration should be exercised by entities when aggregating and disaggregating information.
  - Entities should not include accounting policies in the financial statements for items that are immaterial.
  - Additional information is useful in certain instances. An example was added to the Guideline.

2.37 The Members SUPPORTED these amendments.

Secretariat

2.38 The Members RECOMMENDED the ED to the Technical Committee for approval.

Invitation to Comment (ITC) on *Improvements to Standards of GRAP (2022)*

2.39 The Secretariat EXPLAINED the purpose of the ITC, and NOTED the proposed background information and specific matters for comment included in the document.

2.40 A Member NOTED that question 2 is general, and could be reworded to be more clear and specific on what the question aims to seek.

Secretariat

2.41 No additional matters for comment to include in the ITC were noted. The Members RECOMMENDED the ITC to the Technical Committee for approval.

PROPOSED INTERPRETATION OF THE STANDARD OF GRAP ON *FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION*

2.42 The following documents were TABLED at the meeting:

- Project brief on *Foreign Currency Transactions and Advance Consideration*
- Proposed Exposure Draft on an Interpretation of the Standards of GRAP on *Foreign Currency Transactions and Advance Consideration*
- Proposed Invitation to Comment

Background to the project

2.43 The Secretariat NOTED the background to, and phases of, the project. The project group's role in the process was EXPLAINED. The Secretariat EXPLAINED the process followed to develop the ED.

ED on the Interpretation of the Standards of GRAP on *Foreign Currency Transactions and Advance Consideration* (the IGRAP)

2.44 The Secretariat EXPLAINED that the IGRAP was drafted to converge with the IFRIC® on *Foreign Currency Transactions and Advance Consideration* (IFRIC 22). The IGRAP provides guidance on which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency, when recognising an asset, expense or revenue after the non-monetary asset or liability has been recognised.

2.45 The Members AGREED with the content of the IGRAP.

Secretariat

2.46 The Members RECOMMENDED the ED to the Technical Committee for approval.

Invitation to Comment on the IGRAP

2.47 The Secretariat EXPLAINED the purpose of the ITC, and NOTED the proposed background information and the general matters for comment included in the document.

2.48 No additional matters for comment to include in the ITC were noted. The Members RECOMMENDED the ITC to the Technical Committee for approval.

3. NEXT STEPS

The Secretariat NOTED the next steps, being that the EDs will be considered by the Technical Committee and Board in November 2022.

4. CLOSING REMARKS

Stakeholders were THANKED for their time to prepare for the meeting, and their participation and input during the meeting.

Prepared by:	**N Imam Shah**	**7 October 2022**
Reviewed by:	**J Poggiolini**	**10 October 2022**