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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 04 OCTOBER 2022

Present:	A Abrahams	Western Cape Provincial Treasury
	S Abraham	SARS
	M Chauke	Limpopo Provincial Treasury
	N Dayeni	Western Cape Provincial Treasury
	K de Klerk	Solplaatje Municipality
	M Dullabh	National Treasury
	I Engelmohr	Drakenstein Municipality
	Z Joka	Western Cape Provincial Treasury
	Z Korasie	Saldanha Bay Municipality
	P Lekay	City of Cape Town
	A Mailula	SARS
	Z Malaza	CIGFARO
	N Manyathi	Western Cape Provincial Treasury
	M Marake	Free State Provincial Treasury
	K Mokgokong	City of Tshwane
	D Nelwamondo	SARS
	S Ngoasheng	Gauteng Provincial Treasury
	A Sheik	City of Johannesburg
	Z Sungay	City of Cape Town
	I Swanepoel	SARS
	S Thomas	Western Cape Provincial Treasury

S Zakwe	CIGFARO

Secretariat:

A Botha	Project Manager
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 J de Ridder, L Muller, D Nolte, N Shibase, M Thaga, S Treeby and R Vilakazi.

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 change and NOTED that the amendments address some topical issues in articles currently in the accounting and finance news.

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.

2.9 The Secretariat PROPOSED that the encouraged disclosure identified in the Standard of GRAP on *Cash Flow Statements* (GRAP 2) not be deleted, but amended to rather read as examples of additional disclosure that may be relevant to users of financial statements. This amendment was SUPPORTED by the Members.

Secretariat

Definition of accounting estimates

2.10 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).

2.11 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*

2.12 A Member SUGGESTED that the reference to “measurement uncertainty” in the definition should rather read as “measurement amendment” because the revision of estimates results in amendments. The Secretariat EXPLAINED that it is important to retain the term "measurement uncertainty” to reflect the nature of estimates, in that its measurement changes when the judgement and assumptions associated with it changes.

2.13 The Members AGREED with the amendment.

Secretariat

Illustrative Examples

2.14 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).

2.15 A Member SUGGESTED that the illustrative example in GRAP 24 on the budget reconciliation be amended to indicate the different types of bases differences.

Secretariat

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

Secretariat

Cost of property, plant and equipment

2.17 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.

2.18 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

2.19 The Secretariat EXPLAINED that stakeholders experienced difficulty in assessing whether GRAP 24 applies to them. It was NOTED that entities required further 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".

2.20 The amendment affects the following standards:

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

2.21 The Members SUPPORTED this amendment.

Secretariat

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

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

2.23 The Members AGREED with the amendment and a Member COMMENTED that the Fact Sheet on GRAP 24 is useful in preparing the reconciliation.

Secretariat

Interest Rate Benchmark Reform

2.24 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.

2.25 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.

2.26 The Members SUPPORTED the amendment.

Secretariat

Other amendments to clarify existing principles

2.27 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.
- 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* 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.

2.28 The Members SUPPORTED these amendments.

Secretariat

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

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

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

2.31 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*

2.32 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

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)

2.33 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.

2.34 The Members AGREED with the content of the IGRAP.

Secretariat

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

Invitation to Comment on the IGRAP

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

2.37 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**	**4 October 2022**
Reviewed by:	**J Poggiolini**	**5 October 2022**