

## IMPROVEMENTS TO STANDARDS OF GRAP 2022 (ED 201)

This Executive Summary provides an overview of the proposed Improvements to Standards of GRAP (2022) (ED 201)

### Overview

Every three years, the Accounting Standards Board (hereafter referred to as “the Board”) undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters. The proposed Improvements to Standards of GRAP (2022) were approved by the Board in December 2022.

### Project objectives

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP. Access ED 201 [here](#).

### Next steps

The proposals in ED 201 will be modified in the final documents in light of comment received from respondents during the comment process.

### Comment deadline

The comment deadline is 28 April 2023.

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#### Background to the project

##### History of the project

In accordance with its planning cycle, the Board undertakes periodic revisions of the Standards of GRAP every three years, with the last Improvements Project in 2019.

Improvements to Standards of GRAP comprise amendments to those Standards of GRAP that have been issued by the Board and for which the Minister of Finance has determined an effective date. The 2022 Improvements Project includes proposed amendments to Standards of GRAP that will be effective for financial periods commencing on or after 1 April 2025. The proposed amendments to the Standards include:

- Amendments to International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board (IPSASB). This comprises amendments to IPSAS as part of the IPSASB's 2019 and 2021 Improvements to IPSAS.
- Amendments to International Financial Reporting Standards (IFRS® Standards) issued by the International Accounting Standards Board®: This includes amendments to IFRS Standards resulting from:
  - Annual Improvements for IFRS Standards 2018 – 2020 Cycle; and
  - Other narrow scope amendments to IFRS Standards.
- General improvements: These improvements ensure consistency between the Standards of GRAP and/or to clarify existing principles identified through consultations with stakeholders.

*Please note:*

*Amendments in the ED are made to Standards of GRAP effective on 1 April 2022, except for:*

- *GRAP 1 - The amendments are made to the version of GRAP 1 which is effective on 1 April 2023. As the Improvements to the Standards of GRAP have a proposed effective date of 1 April 2025, GRAP 1 effective on 1 April 2022 would have been superseded.*
- *GRAP 104 - The amendments are made to the version of GRAP 104 which is effective on 1 April 2025. As the Improvements to the Standards of GRAP have a proposed effective date of 1 April 2025, GRAP 104 effective on 1 April 2022 would have been superseded.*

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Overview of ED 201	
Proposed Improvements to the Standards of GRAP	
<b>GRAP 1 – <i>Presentation of Financial Statements</i></b>	<p>GRAP 1 currently refers to the disclosure of “significant” accounting policies. The Standards of GRAP do not define the term “significant”, while the term “material” is defined and understood by users.</p> <p>The proposed improvement replaces references to “significant” accounting policies with “material” accounting policies.</p> <p>The proposed amendment is to be applied prospectively.</p>
<b>GRAP 1 – <i>Presentation of Financial Statements</i></b> <b>GRAP 2 – <i>Cash Flow Statements</i></b> <b>GRAP 13 – <i>Leases</i></b> <b>GRAP 19 - <i>Provisions, Contingent Liabilities and Contingent Assets</i></b> <b>GRAP 23 - <i>Revenue from Non-exchange Transactions</i></b> <b>GRAP 27 – <i>Agriculture</i></b> <b>GRAP 31 – <i>Intangible Assets</i></b> <b>GRAP 104 – <i>Financial Instruments (2019)</i></b>	<p>A previous Board decision was taken to:</p> <ul style="list-style-type: none"> <li>- identify encouraged disclosures in the Standards of GRAP; and</li> <li>- assess whether they are useful.</li> </ul> <p>Encouraged disclosures were identified in the Standards listed on the left. Each encouraged disclosure was assessed for usefulness and the disclosures that provided limited information value are proposed for deletion.</p> <p>Proposed amendments are to be applied prospectively.</p>

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<p><b>GRAP 3 – Accounting policies, Changes in Accounting Estimates and Errors</b></p>	<p>There are two proposed improvements to GRAP 3:</p> <ul style="list-style-type: none"> <li>• Paragraph .32 in GRAP 3 requires an entity to disclose information on Standards issued but not yet effective. The proposed improvement aims to clarify that the requirements to disclose standards issued but not yet effective only apply to Standards of GRAP where the Minister of Finance has determined an effective date.</li> <li>• Stakeholders experienced difficulties in distinguishing changes in accounting policies from changes in accounting estimates. This issue was also prevalent with users of IFRS Standards. The proposed amendment changes the definition of an accounting estimate because the current definition is unclear.</li> </ul> <p>Both amendments are proposed to be applied prospectively.</p>
<p><b>GRAP 5 – Borrowing Costs</b> <b>GRAP 24 - Presentation of Budget Information in Financial Statements</b></p>	<p>Illustrative examples are proposed for inclusion in GRAP 5 and GRAP 24. The purpose of the examples are to illustrate the application of the Standard and to assist in clarifying its meaning. The illustrative examples accompany but do not form part of the Standards of GRAP.</p> <p>The illustrative examples added to GRAP 5 include four different scenarios illustrating the calculation of borrowing costs.</p> <p>The four illustrative examples proposed for inclusion in GRAP 24 illustrate the presentation and disclosure requirements in GRAP 24.</p>
<p><b>GRAP 17 – Property, Plant and Equipment</b></p>	<p>GRAP 17.22 includes examples of directly attributable costs that can be capitalised to property, plant and equipment. In one of the examples, GRAP 17 permits the deduction of the net proceeds from selling items produced while bringing the asset to its necessary location and condition against the cost of the asset.</p> <p>The proposed amendment prohibits deducting the proceeds from selling items produced before that asset is available from the cost of property, plant and equipment. The amendment clarifies that an entity recognises the proceeds from selling any such items, and the cost of those items, in surplus or deficit in accordance with applicable</p>

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	<p>Standards of GRAP. The entity should measure the cost of those items applying the measurement requirements of GRAP 2 on <i>Inventories</i>.</p> <p>The amendment is to be applied retrospectively but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.</p>
<p><b>GRAP 20 – Related Party Disclosures</b></p> <p><b>GRAP 31 – Intangible Assets, Guideline on the Application of Materiality to Financial Statements</b></p>	<p>Minor amendments were made to GRAP 20 and GRAP 31 to ensure consistency and clarity between the Standards of GRAP.</p> <p>In GRAP 20, the definition of significant influence was updated to directly align to the definition in GRAP 36 on <i>Investments in Associates and Joint Ventures</i>.</p> <p>The amendment to GRAP 20 is to be applied retrospectively.</p> <p>The proposed amendments to GRAP 31 are:</p> <ul style="list-style-type: none"> <li>• Clarity is provided as to when GRAP 32 on <i>Service Concession Arrangements: Grantor</i> is applicable.</li> <li>• To align with GRAP 17, references to fully depreciated assets were removed from GRAP 31.117.</li> </ul> <p>The proposed amendments to GRAP 31 are to be applied prospectively.</p>
<p><b>GRAP 24 – Presentation of Budget Information in Financial Statements</b></p>	<p>The proposed improvements to GRAP 24 include:</p> <ul style="list-style-type: none"> <li>• Stakeholders experienced difficulty in determining whether GRAP 24 is applicable to them. The key issues related to understanding the difference between the terms “publicly available” and “publicly accountable”. The proposed amendments aim to further explain the terms publicly available and publicly accountable.</li> </ul> <p>The amendment emphasises that the <b>entity itself</b> should make its budget publicly available. This can be done by either tabling the budget in Parliament, legislatures or municipal councils OR by making it available using media.</p> <p>The term publicly accountable is explained in GRAP 24 and two examples are added to illustrate this. The</p>

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	<p>addition of paragraph .05A in GRAP 24 explains that entities are held publicly accountable for their budget when there is an expectation of public oversight in approving and monitoring their budget. The amendment further indicates that public oversight should be exercised by the relevant authority who approves the budget being Parliament, the legislatures or municipal councils.</p> <ul style="list-style-type: none"> <li>GRAP 24 requires the disclosure of a reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements. The reconciliation prescribes which line items in the financial statements the entity should reconcile.</li> </ul> <p>Amendments are proposed to prompt entities to determine how to present the reconciliation based on what is useful to users of financial statements. The improvements aim to simplify the reconciliation by not prescribing the line items to reconcile.</p> <p>The proposed amendments are to be applied prospectively.</p>
<p><b>GRAP 104 – Financial Instruments (2019)</b></p>	<p>The proposed improvements to GRAP 104 include:</p> <ul style="list-style-type: none"> <li>The Interest Rate Benchmark Reform has been a significant project globally. In order to accommodate the pending change in the interest rate benchmark locally, amendments were made to GRAP 104 to provide a practical expedient not to treat any changes in the contractual cash flows (as a result of the reform) as a modification.</li> </ul> <p>The practical expedient allows an entity to account for the change in the basis for determining the contractual cash flows in accordance with paragraph AG5.54 in the Application Guidance of GRAP 104. AG5.54 states that if a floating rate financial instrument is recognised initially at an amount equal to the principal receivable or payable on maturity, re-estimating the future interest payments normally has no significant effect on the carrying amount of the asset or liability. This suggests that an immediate adjustment to the carrying amount of the financial instrument is not necessary. Future interest payments will, however, be recorded at the new rate.</p> <p>The proposed amendment is to be applied retrospectively.</p> <ul style="list-style-type: none"> <li>GRAP 104 provides limited guidance on the fees to include when an entity applies the “10 percent” test to derecognise a financial liability.</li> </ul> <p>The Application Guidance includes an amendment to clarify that, in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.</p>

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<b>Annexure A</b>	The editorials to the Standards of GRAP are included as an annexure to the ED.
<b>Specific matters for comment</b>	
<b>Question 1</b>	<p>The Board requests specific comment on the proposed improvement to GRAP 3 on the change in the definition of an accounting estimate to understand whether respondents:</p> <ul style="list-style-type: none"> <li>(a) agree with the revised definition, and;</li> <li>(b) foresee any practical implementation issues with revising the definition.</li> </ul>
<b>Question 2</b>	<p>The Board requests specific comment on the proposed improvement to GRAP 24 on the explanation of the term publicly accountable to understand whether respondents:</p> <ul style="list-style-type: none"> <li>(a) agree with the explanation of the term publicly accountable, and;</li> <li>(b) foresee any practical implementation issues with the improvement.</li> </ul>
<b>Question 3</b>	The Board requests specific comment on the proposed deletions of encouraged disclosures in the Standards of GRAP to understand whether respondents agree that the disclosures proposed for deletion provides limited information value.
<b>How to access information</b>	
<b>Access information on the ASB and its work programme online</b>	<p>Visit our website on <a href="http://www.asb.co.za">www.asb.co.za</a>.</p> <p>Subscribe to our Newsletter.</p> <p>Access the translated versions of the Standards.</p>



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