

## IGRAP ON FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION (ED 202)

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| <p><b>This Executive Summary provides an overview of the proposed Interpretation of the Standards of GRAP on <i>Foreign Currency Transactions and Advance Consideration</i> (ED 202)</b></p> | <p><b>Overview</b></p>           | <p>In monitoring convergence with the International Accounting Standards Board (IASB®), the Board agreed to develop an Interpretation to the Standard of GRAP (IGRAP) on <i>Foreign Currency Transactions and Advance Consideration</i> based on IFRIC® 22.</p> |
|  | <p><b>Project objectives</b></p> | <p>The purpose of the project is to develop guidance based on IFRIC 22, which will support the application of the Standard of GRAP on <i>The Effects of Changes in Foreign Exchange Rates</i> (GRAP 4). Access ED 202 <a href="#">here</a>.</p>                 |
|  | <p><b>Next steps</b></p>         | <p>The proposals in ED 202 will be modified in the final documents in the light of comment received from respondents during the comment process.</p>  |
|  | <p><b>Comment deadline</b></p>   | <p>The comment deadline is 28 April 2023.</p>   |

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| Background to the project  |  |
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| History of the project   | The IGRAP was developed to align with the guidance issued by the IASB. IFRIC 22 clarifies which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The guidance in IFRIC 22 was adapted for the local public sector environment in order to develop the IGRAP.  |
| Overview of ED 202   |  |
| Proposed IGRAP on <i>Foreign Currency Transactions and Advance Consideration</i> |  |
| Who should apply the IGRAP?  | Entities in the public sector that apply Standards of GRAP and who undertake foreign exchange transactions that involve advance consideration paid or received in a foreign currency will be affected by this Interpretation.  |
| Consensus in the IGRAP   | <p>The Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.</p> <p>When an entity pays or receives consideration in advance in a foreign currency, it generally recognises a non-monetary asset or non-monetary liability before the recognition of the related asset, expense or revenue. The related asset, expense or revenue is the amount recognised applying the relevant Standard of GRAP, which results in the derecognition of the non-monetary asset or non-monetary liability arising from the advance consideration.</p> <p><i>The exchange rate</i> to use on the initial recognition of the related asset, expense or revenue, is the exchange rate that was used on the date on which the entity initially recognised the non-monetary asset or non-monetary liability.</p> |

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