

## Improvements to Standards of GRAP 2020 soon to be effective

In line with best practice internationally among standard setters, the Board undertakes periodic revisions of the Standards of GRAP. The changes made to the Standards of GRAP comprise certain changes resulting from amendments to the International Public Sector Accounting Standards (IPSAS) and the International Financial Reporting Standards (IFRS® Standards), as well as general improvements identified through consultation with stakeholders.

The *Improvements to Standards of GRAP (2020)* are effective from 1 April 2023. Here's a snapshot of the changes:

Standard of GRAP	Amendment
GRAP 5 - <i>Borrowing Costs</i>	The amendment clarifies that an entity includes borrowings made specifically to obtain a qualifying asset in general borrowings, when that qualifying asset is ready for its intended sale or use.
GRAP 13 - <i>Leases</i>	The amendment includes references to the Standard of GRAP on <i>Impairment of Non-cash-generating Assets</i> (GRAP 21) for impairment of leased assets, to reflect instances where leases are entered into that are not on market terms.
GRAP 16 - <i>Investment Property</i>	The following amendments were made: <ul style="list-style-type: none"> <li>• The headings on classifying property as investment property or owner-occupied property were updated.</li> <li>• A new heading was added to indicate that the paragraph following it provides guidance on initially measuring self-constructed investment property at fair value.</li> <li>• References to GRAP 21 were included for impairment of investment property, to reflect instances where leases are entered into that are not on market terms.</li> <li>• The requirements relating to the transfer of investment property were clarified to reflect the principle that a change in use would involve (a) an assessment of whether a property meets, or ceases to meet, the definition of investment property; and (b) evidence that a change in use has occurred. The list of examples in which a transfer occurs was re-characterised as a non-exhaustive list to be consistent with this principle.</li> </ul>
GRAP 17 - <i>Property, Plant and Equipment</i>	As land has an unlimited useful life and cannot be consumed through its use, the examples indicating that quarries and land used for landfill may be depreciated in certain cases were deleted.
GRAP 20 - <i>Related Party Disclosures</i>	The following amendments were made: <ul style="list-style-type: none"> <li>• Where a reporting entity applies the disclosure exemption for transactions that occur within normal supplier and/or client/recipient relationships and within normal established operating parameters, the disclosure of <b>outstanding related party balances</b> has been deleted.</li> <li>• Text was added to a few places in GRAP 20 to clarify how payments to entities providing management services that</li> </ul>

Standard of GRAP	Amendment
	are not undertaken within the same economic entity should be disclosed, and what these services comprise.
GRAP 24 - <i>Presentation of Budget Information in Financial Statements</i>	Terminology was aligned for use of consistent wording in the Standards of GRAP.
GRAP 31 – <i>Intangible Assets</i>	The requirement has been extended to include revalued intangible assets when considering whether reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired.
GRAP 32 - <i>Service Concession Arrangements: Grantor</i>	Minor amendments were made to clarify the disclosure requirements for service concession assets.
GRAP 37 - <i>Joint Arrangements</i>	Text was added to the Application Guidance to clarify the accounting for a previously held interest in a joint operation when a party obtains joint control.
GRAP 106 – <i>Transfer of Functions Between Entities Not Under Common Control</i>	Text was added to clarify the application of the acquisition method to transfers of functions for a previously held interest in a joint operation when a party obtains control of the joint operation.
Directive 7 - <i>The Application of Deemed Cost</i>	To provide further clarity, an amendment was made to specifically include bearer plants within the scope of the Directive.

*The views in this article are those of the author and not the Board of the ASB.*

By: Nabeela Imam-Shah, standard setter at the ASB

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