Accounting Standards Board

Newsletter February 2023 Edition

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Improvements to Standards of GRAP 2022 (ED 201)

The Board undertakes periodic revisions of the Standards of GRAP in line with best practice internationally among standard setters. The proposed Improvements to the Standards of GRAP include changes resulting from amendments to the International Public Sector Accounting Standards (IPSAS) and the IFRS® Acconting Standards, as well as general improvements identified through consultation with stakeholders. The proposed Improvements to Standards of GRAP (2022) were approved by the Board in December 2022.

Below is a snapshot of the proposed amendments:

Standard of GRAP	Proposed amendment
GRAP 1 – *Presentation of Financial Statements*	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. The proposed improvement replaces references to "significant" accounting policies with "material" accounting policies.
GRAP 1 – *Presentation of Financial Statements* GRAP 2 – *Cash Flow Statements* GRAP 13 – *Leases* GRAP 19 - *Provisions, Contingent Liabilities and Contingent Assets* GRAP 23 - *Revenue from Non-exchange Transactions* GRAP 27 – *Agriculture* GRAP 31 – *Intangible Assets* GRAP 104 – *Financial Instruments (2019)*	Encouraged disclosures were identified in the Standards listed on the left. Each encouraged disclosure was assessed for usefulness and the disclosures that provide limited value to users are proposed to be deleted.

Standard of GRAP	Proposed amendment
GRAP 3 – *Accounting policies, Changes in Accounting Estimates and Errors*	There are two proposed amendments: • GRAP 3 requires an entity to disclose information on GRAP 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. • The current definition of a "change in accounting estimate" is not sufficiently clear. A new definition of an accounting estimate is proposed.
GRAP 5 – *Borrowing Costs* GRAP 24 - *Presentation of Budget Information in Financial Statements*	Illustrative examples are proposed for GRAP 5 and GRAP 24. The illustrative examples to GRAP 5 outline different scenarios illustrating the calculation of borrowing costs. The illustrative examples for GRAP 24 illustrate the presentation and disclosure requirements in GRAP 24.
GRAP 17 – *Property, Plant and Equipment*	The proposed amendment prohibits proceeds from selling items produced before that asset is available, to be deducted 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 Standards of GRAP.
GRAP 20 – *Related Party Disclosures* GRAP 31 – *Intangible Assets* Guideline on *the Application of Materiality to Financial Statements*	Minor amendments are proposed to align terminology to ensure consistent wording in the Standards of GRAP.
GRAP 24 – *Presentation of Budget Information in Financial Statements*	The proposed amendments include: • Explaining what is meant by "publicly accountable" - Stakeholders experienced difficulty in determining whether GRAP 24 is applicable to them. This stemmed from stakeholders not understanding the terms "publicly available" and "publicly accountable". The proposed amendments aim to explain these terms. • How to present the reconciliation of actual amounts on a comparable basis to the actual amounts in the financial statements – Amendments are proposed to prompt entities to determine how to present the reconciliation what will be useful to users. The improvements aim to simplify the disclosures on the presentation of a reconciliation by not prescribing the line items to reconcile.
GRAP 104 – *Financial Instruments (2019)*	The proposed amendments are: • To accommodate the pending change in the interest rate benchmark locally, amendments are proposed to provide a practical expedient not to treat any changes in the contractual cash flows (as a result of the reform) as a modification. • Guidance is proposed to be included on the fees to include when an entity applies the "10 percent" test to derecognise a financial liability.

In later articles, we will look at some of the proposed improvements in more detail.

The Exposure Draft also includes an annexure at the end to reflect the editorials to the GRAP Handbook. ED 201 is available on the ASB's website.

Improvements to GRAP 24 on *Presentation of Budget Information in Financial Statements*

Amendments are proposed to GRAP 24 in Exposure Draft 201 on *Improvements to the Standards of GRAP (2022)*. One of the amendments to the Standard is to clarify when an entity is **required to apply** GRAP 24.

The Secretariat found in 2021 while conducting a desktop review of the application of GRAP 24, that entities were uncertain when GRAP 24 applies to them. In discussing the findings of the review with stakeholders, it was observed that it is unclear what it means to make the budget publicly available and when an entity is publicly accountable for their budget, so that the requirements of GRAP 24 are mandatory. A Fact Sheet on GRAP 24 was developed which explains the term publicly available.

The Board has added the explanation from the Fact Sheet of what it means to make a budget publicly available to the Exposure Draft (ED). This includes that the entity should make its budget public by tabling in Parliament, legislatures or municipal councils or through its own actions for example by inclusion in a publication, website or other media.

The term publicly accountable is also explained in the ED. 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 explains that public oversight must be exercised by the relevant authority who approves their budget being Parliament, the legislatures or municipal councils. The ED also includes two examples illustrating when an entity can be held publicly accountable for their budget.

To comment on this improvement please refer to Specific Matter for Comment, Question 2 in the Invitation to Comment. The documents for ED 201 can be accessed here.

Improvements to GRAP 1 on *Presentation of Financial Statements*

Amendments are proposed to GRAP 1 in Exposure Draft 201 on *Improvements to the Standards of GRAP (2022).* One of the amendments to the Standard is on the disclosure of accounting policies.

The proposed amendment is taken from the amendments to IAS 1 on *Presentation of Financial Statements* that replaces references to “significant accounting policies” with “material accounting policy information”. The International Accounting Standards Board noted from their Discussion Paper on *Disclosure Initiative - Principles of Disclosure* that entities differed in their views about what constitutes a **significant** accounting policy.

GRAP 1 currently refers to the disclosure of significant accounting policies. The Standards of GRAP do not define the term “significant”. The Board agreed that in order to maintain convergence with the IFRS® Accounting Standards and to provide clarity on which accounting policies are important to be disclosed, the amendment should be adopted for the Standards of GRAP.

The term “material” is clearly defined in the Standards of GRAP. With the recent amendments to GRAP 1 relating to materiality and the development of the Guideline *on The Application of Materiality to Financial Statements*, the term “material” is familiar to stakeholders. The proposed improvement to GRAP 1 replaces references to “significant” accounting policies with “material” accounting policies. The proposed amendment is to be applied prospectively.

To comment on this improvement please refer to the Invitation to Comment. The documents for ED 201 can be accessed here.

Improvements to GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*

Amendments are proposed to GRAP 3 in Exposure Draft 201 on *Improvements to the Standards of GRAP (2022)*. One of the amendments to the Standard is a change in the definition of accounting estimates.

The proposed amendment is taken from the amendments to IAS 8 on *Accounting Policies, Changes in Accounting Estimates and Errors* that removes the definition of a “change in accounting estimate” and replaces it with a definition of “accounting estimates”. The International Accounting Standards Board observed that the previous definition of a change in accounting estimate in IAS 8 was not sufficiently clear.

We noted from our local projects that our stakeholders experienced difficulties in distinguishing changes in accounting policies from changes in accounting estimates. This issue was also prevalent with users of IFRS® Accounting Standards. The Board agreed that in order to maintain convergence with the IFRS Accounting Standards and to provide clarity on what constitutes an accounting estimate, the amendment should be adopted for the Standards of GRAP.

The proposed amendment removes the definition of a “change in accounting estimate” and replaces it with a definition of “accounting estimates”. **Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty**. The proposed amendment is to be applied prospectively.

To comment on this improvement please refer to Specific Matter for Comment, Question 1 in the Invitation to Comment. The documents for ED 201 can be accessed here.

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