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News from the IPSASB

When will the new IFRS Standards on revenue and leases be adopted in the public sector?

Preparers often ask: “when will the new IFRS Standards on revenue and leases will be adopted in the public sector?”

The answer to this question is that it may be sometime. Given the resource implications required to adapt the IFRS Standards for the public sector, the ASB is waiting for the IPSASB to complete its adaptation of the standards before they are considered locally. The IPSASB is currently working on adapting IFRS 15 on *Revenue from Contracts with Customers* and IFRS 16 on *Leases*. Progress is as follows:

Revenue

The IPSASB plans to issue draft ED 70 on *Revenue with Performance Obligations* in December 2019. As part of adapting IFRS 15 for the public sector and considering broader implications, the IPSASB proposes removing the distinction between ‘exchange’ and ‘non-exchange’ revenue. Instead, the distinction will be whether arrangements have performance obligations. Instead of referring to ‘contracts with customers’ the IPSASB will identify these arrangements as having ‘performance obligations’. Arrangements in the scope of IPSAS 23 on *Revenue from Non-exchange Transactions (Taxes and Transfers)* will be transactions ‘without performance obligations’. Draft ED 70 will be accompanied by amendments to IPSAS 23.

Leases

The IPSASB issued ED 64 on *Leases* in 2018. In ED 64, the IPSASB proposed aligning with the ‘right of use’ model for lessees in IFRS 16 on *Leases* but decided to depart from the ‘finance/operating lease’ accounting model for lessors. The IPSASB instead proposed using a ‘right of use’ model for both lessors and lessees. The IPSASB was of the view that because entities in the public sector are often counterparties to the same lease arrangement, a consistent approach should be applied by both the lessor and lessee.

The IPSASB received mixed reactions to the proposed change to lessor accounting. Respondents either did not support the approach because there was no public sector reason to depart from IFRS 16, or because they did not support the principles underpinning the right of use model for lessors – some respondents were of the view that it would lead to ‘double-counting’ of assets. As a result of the changes, the IPSASB is redeliberating the way forward for lessor accounting.

Timeline for completion

It is likely that the IPSASB will complete these projects in the 2021/2022 financial year. The ASB will commence work on revising GRAP 13 on *Leases* in 2022/2023. Work on revenue will likely only commence during the next ASB's work programme cycle.

News from the ASB Board

The Board met on 5 December 2019. The following documents were approved by the Board:

Final pronouncements

- Directive on *The Application of Standards of GRAP by Public Entities that Apply IFRS Standards*.
- Research Paper on Reporting Information to the Public.
- Research Paper on the *Review of Amendments to GRAP 16 on Investment Property and GRAP 17 on Property, Plant and Equipment*.
- GRAP Reporting Framework for 2020/2021.

Exposure Drafts

- Invitation to Participate in the *Post-Implementation Review of GRAP 103 on Heritage Assets*.

The Board also agreed on the potential scope of the project on "combined financial statements" but decided to delay further work to the project until the 2024-2026 work programme cycle. The need for, and urgency of, the project would be reconsidered at that stage.

The full meeting highlights can be accessed on the ASB's website: <http://www.asb.co.za/board-meeting-dates/>



Contact us

*Address: International Business Gateway, Midridge office Estate, Midrand, Johannesburg
Telephone : 011 697 0660
E-mail : info@asb.co.za*

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Accounting Standards Board

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