

Converging public and private sector financial reporting





Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.

**Standards of GRAP are
based on IPSAS...
IPSAS are based on
IFRS**

Newly issued IFRSs

IFRS	IPSAS	GRAP
Financial Instruments (IFRS 9)	IPSAS 41	GRAP 104 (revised 2019)
Fair Value Measurement (IFRS 13)	Consultation Paper	Providing input to project
Revenue from Contracts with Customers (IFRS 15)	ED 70	Commenting to IPSASB
Leases (IFRS 16)	In progress	Providing input to project
Insurance (IFRS 17)	Social benefits	2021

Financial instruments

IFRS 9

IFRS 9	
Overview	<ul style="list-style-type: none"> • New requirements for classification of financial instruments • New impairment model for financial instruments: incurred to expected loss model.
Public sector application	<p>IPSAS 41 issued. GRAP 104 (revised 2019).</p>
Local issues	<p>Effective date proposed to Minister of Finance of 1 April 2024 → continue to apply previous version. Assessing how to support implementation.</p>

Fair value measurement

IFRS 13	
Overview	Provides guidance on how to determine fair value when an IFRS allows or requires fair value.
Public sector issues	<p>Several issues, key:</p> <ul style="list-style-type: none"> • Fair value is not defined in the IPSASB's Conceptual Framework. Only define "market value". Not the same concepts. • Public sector specific issues, like using "highest and best use" + status of "replacement cost" as a basis on its own, as well as to determine fair value.

Fair value measurement

IFRS 13

<p>Status</p>	<p>Developing IPSAS on Measurement and changes to Conceptual Framework → Not just fair value, all measurement bases.</p> <p>Will affect individual Standards.</p> <p>Amendments to IPSAS 5 on borrowing costs.</p> <p>Proposed IPSAS on non-current assets held for sale.</p> <p>Expected to be issued for comment in December 2020.</p>
<p>Local issues</p>	<p>Continue to apply Standards of GRAP (no IFRS 13), until IPSAS changes adopted locally.</p> <p>Not currently on work programme for 2021-2023. Assess in next cycle.</p>

Revenue from contracts with customers

IFRS 15

Overview

Provides guidance on contracts that require one entity to provide distinct goods/services to another in return for consideration. Revenue will be recognised based on the provision of those goods/services, i.e. when performance obligations are satisfied.

Public sector issues

- Replace or revise IPSAS 9, IPSAS 11 and IPSAS 23?
- Focus on “contracts” may be too limiting → binding arrangements?
- Contracts where consideration is not probable, potentially not accounted for using this approach.

Revenue from contracts with customers

IFRS 15

<p>Status</p>	<p>IPSASB has issued Exposure Drafts of proposed IPSAS:</p> <ul style="list-style-type: none"> • ED 70 on Revenue with Performance Obligations. • ED 71 on Revenue without Performance Obligations. <p>Comment deadline 1 November 2020.</p>
<p>Local issues</p>	<p>Continue to apply Standards of GRAP – GRAP 9, 11 and 23 (and Interpretations), until IPSAS changes adopted locally.</p> <p>Not currently on work programme for 2021-2023.</p> <p>Assess in next cycle.</p>

Leases

IFRS 16

Overview

Lessees - Introduction of the “right of use model” → no more finance and operating leases.
 Lessors – Retained finance/operating lease approach.

Public sector issues

- IPSASB considered whether “right of use model” should apply to both lessees and lessors.
- Concessionary leases.
- Other types of lease arrangements.

Leases

IFRS 16

<p>Status</p>	<ul style="list-style-type: none"> • IPSASB working on proposed IPSAS based on IFRS 16. • Issue Request for Information on public sector leases.
<p>Local issues</p>	<p>Included on work programme for 2021-2023 (starting 2023).</p> <p>Continue to apply GRAP 13 (and Interpretations), until IPSAS changes adopted locally.</p>

Insurance contracts

IFRS 17

<p>Overview</p>	<p>Provide guidance on accounting for contracts where one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event. (the insured event) adversely affects the policyholder.</p>
<p>Public sector issues</p>	<ul style="list-style-type: none"> • Some activities in the public sector are similar to insurance contracts. • Likely that only those schemes where ability to modify benefits or compensation so that “fully funded”.

Insurance contracts

IFRS 17

Status

- IFRS 17 can be applied to social benefit schemes that meet certain criteria in IPSAS 42.
- No plans to issue IPSAS equivalent of IFRS 17.

Local issues

- Most schemes are “social benefit” schemes locally, will assess firstly as part of social benefit project.
- Assess as part of 2021-2023 work programme (2021).



Keep informed

Keep informed

- FAQs.
- COVID-19 - www.asb.co.za/covid-19/
- Newsletter.
- Social media.
- Translations of Standards.



Keep informed

Accounting Guidelines by OAG –
<https://oag.treasury.gov.za>

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